



UNAUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 76, in terms of Section 126(1) of the Municipal Finance Management Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of South Africa Act No.108 of 1996, read with the Remuneration of Public Officer Bearers Act No. 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.


N.J. MDAKANE
MUNICIPAL MANAGER

31 October 2020
Date

Annual Financial Statements

for

KWADUKUZA MUNICIPALITY

for the year ended

30 June 2020

Province:

KwaZulu Natal

AFS rounding:

R

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KWADUKUZA MUNICIPALITY
UNAUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

General information

Members of the Council

G Govender	Acting Mayor
R Z P Zulu	Speaker
N R Khumalo	Member of the Executive Committee
M S Sing	Member of the Executive Committee
J L T Sibiya	Member of the Executive Committee
T V Ntuli	Member of the Executive Committee
J A Vallan	Member of the Executive Committee
J S Phahla	Member of the Executive Committee
D W Ndimande	Chief Whip
O L Nhaca	Chair: MPAC
V Govender	Councillor
M E Ngidi	Councillor
I P Dube	Councillor
N J Mpanza	Councillor
H Mbatha	Councillor
S W Ntuli	Councillor
M Suleman	Councillor
M S Mhlongo	Councillor
T T Dube	Councillor
C D Mthembu	Councillor
V V Shezi	Councillor
M Ndlela	Councillor
N R Shezi	Councillor
T S Ngidi	Councillor
P B Mabaso	Councillor
B I Dindi	Councillor
S L Cele	Councillor
N Qwabe	Councillor
A L Sahadew	Councillor
T Colley	Councillor
V Pillay	Councillor
T P Du Toit	Councillor
S Naidoo	Councillor
M Naidoo	Councillor
A L Nzama	Councillor
P Naidoo	Councillor
N Dasrath	Councillor
D H Mthembu	Councillor
L I Mthembu	Councillor
T Nkosi	Councillor
C M Ntleko	Councillor
M M Madlala	Councillor
N Zulu	Councillor
N P Dube	Councillor
E B Majola	Councillor
A M Baardman	Councillor
M S C M Motala	Councillor
G J Van Whye	Councillor
R Singh	Councillor
T K Gumede	Councillor
A K Dawood	Councillor
S M R Mfeka	Councillor
G Z Mngomezulu	Councillor
I T Nxumalo	Councillor
V Mathonsi	Traditional Leader
D Z Gumede	Traditional Leader
A M Zulu	Traditional Leader
M B Cele	Traditional Leader
H K Dube	Traditional Leader
S Mthembu	Traditional Leader

KWADUKUZA MUNICIPALITY
UNAUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

General information (continued)

Municipal Manager

Mr N J Mdakane

Chief Financial Officer

Mr S M Rajcoomar

Grading of Local Authority

Category 4

Auditors

Auditor General South Africa (AGSA)

Primary Bankers

ABSA Bank

Registered Office:

KwaDukuza Municipality

Physical address:

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KwaDukuza
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**KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

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KWADUKUZA MUNICIPALITY
UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Note	2020 R	2019 Restated R
ASSETS			
Current assets		1 022 199 335	928 326 360
Inventories	8	4 773 157	5 366 257
Receivables from exchange transactions	9	111 141 549	109 704 109
Receivables from non-exchange transactions	10	107 602 416	104 762 421
VAT receivable	11	11 130 793	9 779 039
Current portion of long-term receivables	7	35 523	18 509
Short term investments	12	143 899 677	132 756 847
Cash and cash equivalents	13	643 616 220	565 939 178
Non-current assets		2 386 254 083	2 289 373 343
Investment properties	2	170 100 000	175 430 000
Property, plant and equipment	3	2 212 919 072	2 109 873 335
Intangible assets	4	2 519 719	3 341 566
Heritage Assets	5	105 386	105 386
Long-term receivables	7	609 906	623 055
Total Assets		3 408 453 418	3 217 699 703
LIABILITIES			
Current liabilities		413 412 217	393 596 660
Leases	16	1 040 740	939 758
Employee benefit obligations	6	3 253 000	3 048 712
Trade and other payables	20	318 627 342	300 036 893
Unspent conditional grants, receipts and Public contributions	17	39 948 679	42 569 118
Current provisions	18	1 837 706	1 890 591
Consumer Deposits	21	35 326 269	33 500 617
Long service awards	6	2 607 000	1 780 955
Current portion of long term liabilities	19	10 771 480	9 830 016
Non-current liabilities		321 169 850	340 996 180
Leases	16	561 585	1 602 325
Employee benefit obligations	6	79 840 000	90 757 603
Non-current provisions	18	19 629 703	18 232 290
Long service awards	6	20 812 000	19 305 920
Long-term liabilities	19	200 326 562	211 098 042
Total Liabilities		734 582 066	734 592 841
Net Assets		2 673 871 356	2 483 106 862
NET ASSETS			
Reserves			
Revaluation reserve	14	18 313 137	18 313 137
Housing Operating Account	15	8 728 156	8 728 156
Accumulated surplus		2 646 830 064	2 456 065 569
Total Net Assets		2 673 871 356	2 483 106 862

KWADUKUZA MUNICIPALITY
UNAUDITED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 R	2019 Restated R
REVENUE			
Revenue from exchange transactions			
Service charges	22	903 240 332	874 097 822
Rental of facilities and equipment		2 265 103	1 932 477
Interest earned outstanding debtors		7 842 191	6 347 681
Other income	23	47 655 701	49 896 787
Interest received - investments	24	43 548 079	38 901 477
Total revenue from exchange transactions		1 004 551 407	971 176 245
Taxation revenue			
Property rates	25	490 656 417	442 836 370
Property rates - penalties imposed	25	19 792 877	14 684 033
Licences and permits (Non-exchange)		7 512 760	11 136 751
Transfer and other revenue			
Government grants, subsidies & Public Contributions	26 & 27	253 877 447	235 503 810
Donations	3	575 440	27 675 743
Fines	43	11 445 971	12 779 409
Employee and Long Services Gains	6	10 713 315	919 965
Total revenue from non-exchange transactions		794 574 226	745 536 082
Total Revenue		1 799 125 633	1 716 712 327
EXPENDITURE			
Employee related costs	28	405 910 414	362 790 990
Remuneration of councillors	29	22 560 037	22 293 002
Adjustments to Provisions	18	1 344 527	630 181
Depreciation and amortisation	30	73 249 944	70 050 194
Impairment loss	31	2 208 408	818 871
Finance costs	32	21 503 557	22 222 847
Debt Impairment and write offs	33	60 520 091	48 085 706
Bulk purchases	34	716 028 548	630 488 802
Contracted services	44	162 907 428	154 749 106
General Expenses	35	133 016 446	148 309 144
Employee and Long Services Benefits	6	2 332 125	3 794 273
Total Expenditure		1 601 581 524	1 464 233 115
Operating Surplus		197 544 109	252 479 212
Loss on disposal of assets and liabilities	3	(1 449 536)	(7 209 949)
Fair value adjustments	36	(5 330 000)	4 850 000
		(6 779 536)	(2 359 949)
SURPLUS FOR THE YEAR		190 764 574	250 119 263

KWADUKUZA MUNICIPALITY
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020

	<u>Revaluation Reserve</u> R	<u>Housing Operating Account</u>	<u>Total Reserves</u>	<u>Accumulated Surplus</u> R	<u>Total Net Assets</u> R
Restated Balance at 30 June 2018	18 313 137	8 728 156	27 041 293	2 206 569 708	2 233 610 986
Adjustment to Rates Revenue prior to 2018/2019 due to S78 and other related adjustments				-1 310 949	-1 310 949
Adjustments to prior 2018/2019 Rental debtors in respect of Rocky Park housing scheme				687 480	687 480
Surplus for the year 2018/2019				250 119 263	250 119 263
Balance at 30 June 2019	18 313 137	8 728 156	27 041 293	2 456 065 569	2 483 106 780
Surplus for the year 2019/2020	-	-	-	190 764 574	190 764 574
Balance at 30 June 2020	18 313 137	8 728 156	27 041 293	2 646 830 064	2 673 871 354
<p>Note(s)</p> <p>Note 41 provides further details of adjustments pertaining to the 2017/2018 and 2018/2019 financials years.</p>					

KWADUKUZA MUNICIPALITY
UNAUDITED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

Figures in Rand

	Note	2020	2019 (Restated)
Cash flows from operating activities			
Receipts			
Interest income		43 548 079	38 901 477
Cash received		1 689 637 949	1 575 946 322
		1 733 186 029	1 614 847 799
Payments			
Finance costs		(21 503 557)	(22 222 847)
Cash paid		(1435 362 056)	(1 246 677 918)
		(1456 865 613)	(1 268 900 765)
Net cash flows from operating activities	42	276 320 416	345 947 034
Cash flows from investing activities			
Purchase of Property, Plant & Equipment	3	(178 556 341)	(149 856 792)
Proceeds from sale of property, plant and equipment	3	-	22 280
Purchase of other intangible assets	4	-	-
Movement in short term investments		(11 142 830)	(25 883 877)
Net cash flows from investing activities		(189 699 171)	(175 718 388)
Cash flows from financing activities			
Consumer deposits		1 825 652	1 482 348
Movement in long term liabilities		(9 830 016)	(9 329 527)
Finance lease payments		(939 758)	(350 382)
Net cash flows from financing activities		(8 944 122)	(8 197 561)
Net increase/(decrease) in cash and cash equivalents		77 677 123	162 031 085
Cash and cash equivalents at the beginning of the year		565 939 178	403 908 093
Cash and cash equivalents at the end of the year	13	643 616 219	565 939 178

KWADUKUZA MUNICIPALITY
UNAUDITED STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS (Please refer to Note 58)
FOR THE YEAR ENDED 30 JUNE 2020

	Approved Budget	Adjustments	Adjustments Budget		30 June 2020 Final Budget	Actual amounts	Difference between final budget and actual	Percentage Variance	Note Reference
Statement of Financial Performance									
Revenue									
Revenue from Exchange Transactions:									
Service Charges	934 259 021	-30 347 446	903 911 575	-	903 911 575	903 240 332	-671 243	0%	
Rental of facilities & Equipment	1 685 680	980 000	2 665 680	-	2 665 680	2 265 103	-400 576	-15%	
Interest earned outstanding debtors	7 565 804	2 750 000	10 315 804	-	10 315 804	7 842 191	-2 473 613	-24%	58.1
Other Income	132 599 916	-92 434 723	40 165 193	-	40 165 193	47 655 701	7 490 508	19%	58.2
Gains on disposal of property, plant and equipment	-	-	-	-	-	-	-	0%	
Interest received - investments	33 138 541	7 730 733	40 869 274	-	40 869 274	43 548 079	2 678 805	7%	
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS	1 109 248 962	-111 321 436	997 927 526	-	997 927 526	1 004 551 407	6 623 881		
Revenue from Non-Exchange Transactions:									
Taxation Revenue									
Property rates	493 726 320	6 288 236	500 014 556	-	500 014 556	490 656 417	-9 358 139	-2%	
Property rates - penalties imposed	-	-	-	-	-	19 792 877	19 792 877	100%	58.3
Licences & permits (including agency fees)	12 000 268	100 000	12 100 268	-	12 100 268	7 512 760	-4 587 509	-38%	58.4
Transfer and Other Revenue									
Government grants and subsidies	185 135 308	69 263	185 204 571	-	185 204 571	184 174 024	-1 030 546	-1%	
Public contributions and donations	-	-	-	-	-	1 162 575	1 162 575	100%	58.5
Fines	40 020 300	1 699 735	41 720 035	-	41 720 035	11 445 971	-30 274 064	-73%	58.6
Employee and Long Services Gains	-	-	-	-	-	10 713 315	10 713 315	100%	58.7
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS:	730 882 196	8 157 233	739 039 429	-	739 039 429	725 457 939	-24 294 805		
Total Revenue	1 840 131 158	-103 164 203	1 736 966 955	-	1 736 966 955	1 730 009 346	-17 670 924		
Expenditure									
Employee Related Costs	447 322 071	-28 647 113	418 674 958	-	418 674 958	405 910 414	-12 764 544	-3%	
Remuneration of Councillors	24 043 277	-0	24 043 277	-	24 043 277	22 560 037	-1 483 240	-6%	
Depreciation, amortisation and impairment / reversal of impairment	90 644 000	-5	90 643 995	-	90 643 995	75 458 352	-15 185 643	-17%	58.8
Finance Costs	23 698 684	-1	23 698 683	-	23 698 683	21 503 557	-2 195 126	-9%	
Debt Impairment and write offs	8 661 952	12 785 908	21 447 860	-	21 447 860	60 520 091	39 072 231	182%	58.9
Bulk purchases	738 059 000	3 297 247	741 356 247	-	741 356 247	716 028 548	-25 327 699	-3%	
Contracted services	199 339 150	-7 161 950	192 177 200	-	192 177 200	162 907 428	-29 269 773	-15%	58.10
Other Expenditure	295 272 427	-82 926 381	212 346 046	-	212 346 046	136 693 098	-75 652 948	-36%	58.11
Loss on disposal of assets	-	-	-	-	-	1 449 536	1 449 536	100%	58.12
Transfers and subsidies	9 267 166	-1 140 000	8 127 166	-	8 127 166	-	-8 127 166	-100%	58.13

Total Expenditure	1 836 307 727	-103 792 295	1 732 515 432	-	1 732 515 432	1 603 031 060	-129 484 372		
Operating Surplus									
Transfers recognised - capital	73 831 692	-2 414 338	71 417 354	-	71 417 354	69 116 287	-2 301 067	-3%	
Contributions recognised - capital	3 756 973	694 550	4 451 523	-	4 451 523	-	-4 451 523	-100%	58.14
Fair Value Adjustments	-	-	-	-	-	-5 330 000	-5 330 000		
	77 588 665	-1 719 788	75 868 877	-	75 868 877	63 786 287	-12 082 590		
Surplus before taxation	81 412 096	-1 091 695	80 320 400	-	80 320 400	190 764 573	99 730 858		
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement									
Surplus for the year	81 412 096	-1 091 695	80 320 400	-	80 320 400	190 764 573	99 730 858		
Funding of Capital									
Non-Current Assets									
Transfers recognised - capital	73 831 692	-2 414 338	71 417 354	-	71 417 354	69 116 287	-2 301 067		
Internally generated funds	205 675 936	-38 762 182	166 913 754	-	166 913 754	105 741 475	-61 172 279		
Public Contributions and Donations	6 777 179	-3 200 000	3 577 179	-	3 577 179	-	-3 577 179		
Borrowings	30 000 000	-15 000 000	15 000 000	-	15 000 000	-	-15 000 000		
Total Sources of capital funds	316 284 807	-59 376 520	256 908 287	-	256 908 287	174 857 762	-82 050 525	-32%	58.15
Cash Flow Statement									
Cash flows from operating activities									
Payments									
Net cash from/(used) - Operating activities	34 093 708	-4 293 602	29 800 105		80 003 932	276 320 416	196 316 484		
Cash flows from investing activities									
Net cash from/(used) - Investing activities	-248 583 377	55 619 548	-192 963 828	-	-192 963 828	-189 699 171	3 264 658		
Net increase/(decrease) in cash and cash equivalents	-194 304 573	38 810 834	-155 493 739	-	-155 493 739	77 677 123	233 170 862		
Net cash from/(used) - Financing activities	20 185 095	-12 515 112	7 669 984	-	7 669 984	-8 944 122	-16 614 106		
Cash/cash equivalents at the year end	252 164 043	158 281 395	410 445 438		189 977 001	643 616 219	453 639 219		

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2 Investment Properties

	2020			2019		
	FAIR VALUE	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE	FAIR VALUE	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE
Investment Property	170 100 000	-	170 100 000	175 430 000	-	175 430 000
	170 100 000	-	170 100 000	175 430 000	-	175 430 000

Reconciliation of Investment Properties - 2020

	FAIR VALUE	FAIR VALUE ADJUSTMENTS	TRANSFERS	CLOSING BALANCE
Investment Property	175 430 000	(5 330 000)	-	170 100 000
	175 430 000	(5 330 000)	-	170 100 000

The decrease in the fair value is as a result of expansion of informal settlements into a municipal owned property.
Rent income received on the above investment properties during 2019/2020 financial year is R1 145 444.

Reconciliation of Investment Properties - 2019

	FAIR VALUE	FAIR VALUE ADJUSTMENTS	TRANSFERS	CLOSING BALANCE
Investment Property	170 580 000	4 850 000	-	175 430 000
	170 580 000	4 850 000	-	175 430 000

3 Property, Plant and equipment

	2020			2019-restated		
	COST	ACCUMULATED DEPRECIATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED DEPRECIATION AND IMPAIRMENT	CARRYING VALUE
BUILDINGS	306 932 309	(93 076 724)	213 855 585	290 917 122	(78 425 499)	212 491 623
SOLID WASTE	7 550 951	(2 524 683)	5 026 268	6 476 193	(2 155 705)	4 320 489
VEHICLES	84 284 006	(47 657 094)	36 626 912	71 073 240	(44 683 666)	26 389 574
INFRASTRUCTURE ROADS	1 030 217 000	(255 691 188)	774 525 812	915 809 533	(231 779 058)	684 030 476
INFRASTRUCTURE STORMWATER	266 676 111	(82 504 907)	184 171 204	261 958 261	(76 317 780)	185 640 481
INFRASTRUCTURE ELECTRICAL	855 880 981	(273 154 259)	582 726 722	831 660 938	(253 793 045)	577 867 893
FURNITURE & FITTINGS	63 022 749	(49 840 002)	13 182 746	59 646 917	(45 709 492)	13 937 425
CEMETRIES	14 592 514	(4 343 446)	10 249 068	14 504 261	(3 768 274)	10 735 987
DEVELOPED LAND	136 565 724	-	136 565 724	137 135 724	-	137 135 724
UNDEVELOPED LAND	252 912 250	-	252 912 250	252 912 250	-	252 912 250
HOUSING	8 972 974	(7 392 004)	1 580 970	8 972 974	(7 058 195)	1 914 779
LEASED ASSETS	3 302 526	(1 806 713)	1 495 813	3 302 526	(805 891)	2 496 635
	3 030 910 095	(817 991 020)	2 212 919 072	2 854 369 941	(744 496 606)	2 109 873 254

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT-2020

	OPENING BALANCE	ADDITIONS	ASSETS PREVIOUSLY NOT RECOGNISED	DONATIONS	RECOGNITION OF EXPENSED ITEMS	DERECOGNITION OF ASSETS	ASSETS WRITTEN OFF	DEPRECIATION	IMPAIRMENT LOSS	IMPAIRMENT REVERSAL	CLOSING BALANCE
Buildings	212 491 623	16 015 186						(14 651 225)			213 855 584
Solid Waste	4 320 488	1 074 758						(368 979)			5 026 268
Vehicles	26 389 575	13 210 766						(2 972 056)			36 628 285
Infrastructure Roads	684 030 476	115 147 213					(571 867)	(23 398 454)	(1 657 138)		773 550 229
Infrastructure Stormwater	185 640 480	5 692 062						(5 717 945)	(469 182)		185 145 416
Infrastructure Electrical	577 867 893	20 253 693		575 440	3 698 579		(307 668)	(19 302 495)	(58 719)		582 726 722
Furniture & Fittings	13 937 426	3 375 832						(4 107 141)	(28 161)	4 792	13 182 748
Cemeteries	10 735 987	88 253						(575 172)			10 249 068
Developed Land	137 135 724					(570 000)		-			136 565 724
Undeveloped Land	252 912 250							-			252 912 250
Housing	1 914 779							(333 808)			1 580 970
Leased Assets	2 496 634							(1 000 822)			1 495 812
	2 109 873 335	174 857 762	-	575 440	3 698 579	(570 000)	(879 536)	(72 428 097)	(2 213 200)	4 792	2 212 919 072

Classification of Assets Under Construction:

	Opening Balance	Additions	Completed Projects	Write Offs	Accumulated Impairment	Closing Balance
Buildings	29 979 320	15 409 510	(1 187 431)	-	(207 213)	43 994 186
Cemeteries	1 448 876	88 253	-	-	-	1 537 129
Electricity	39 986 079	24 802 106	(26 533 888)	(307 668)	-	37 946 629
Plant & Machinery	-	-	-	-	-	-
Roads	88 683 462	113 615 241	(67 080 473)	-	-	135 218 230
Solid Waste	534 375	2 605 924	(2 708 476)	-	-	431 823
Total Assets under construction	160 632 113	156 521 033	(97 510 268)	(307 668)	(207 213)	219 127 997

Loss on disposal as reflected on the Statement of Financial Performance consists of :

	2019/20
Derecognition of Assets	-570 000.00
Assets Written Off	-879 535.82
	-1 449 535.82

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT-2019

	OPENING BALANCE	ADDITIONS	ASSETS PREVIOUSLY NOT RECOGNISED	DONATIONS	RECOGNITION OF EXPENSED ITEMS	DERECOGNITION OF ASSETS	ASSETS WRITTEN OFF	DEPRECIATION	IMPAIRMENT LOSS	IMPAIRMENT REVERSAL	CLOSING BALANCE
Buildings	203 741 492	23 588 056					(340 690)	(14 256 473)	(240 764)		212 491 623
Solid Waste	3 716 636	754 312			179 000			(329 460)			4 320 488
Vehicles	26 123 231	3 544 175						(3 277 832)			26 389 575
Infrastructure Roads	633 464 614	73 605 234				(792 814)	(492 926)	(21 745 284)	(8 348)		684 030 476
Infrastructure Stormwater	163 626 968	27 414 507				(328)		(5 037 799)	(362 868)		185 640 480
Infrastructure Electrical	532 254 525	30 268 129		27 512 744	6 014 421			(17 979 001)	(202 924)		577 867 893
Furniture & Fittings	14 926 043	3 213 724	67 209	162 999			(2 440)	(4 426 142)	(25 365)	21 397	13 937 426
Cemeteries	30 269 567	(18 945 705)						(587 875)			10 735 987
Developed Land	141 787 924	-				(4 652 200)		-			137 135 724
Undeveloped Land	253 770 750	69 000				(927 500)		-			252 912 250
Housing	2 317 145							(402 366)			1 914 779
Leased Assets	24 780	2 977 194					(1 052)	(504 288)			2 496 634
	2 006 023 677	146 488 626	67 209	27 675 743	6 193 421	(6 372 841)	(837 108)	(68 546 521)	(840 269)	21 397	2 109 873 335

Classification of Assets Under Construction:

	Opening Balance	Additions	Completed Projects	Write Offs	Accumulated Impairment	Closing Balance
Buildings	31 172 811	21 764 558	(22 617 359)	(340 690)	207 213	30 186 533
Cemeteries	20 394 581	1 505 318	(20 451 023)	-		1 448 876
Electricity	27 012 303	28 442 991	(15 469 215)	-		39 986 079
Roads	72 775 094	81 540 501	(64 379 942)	(1 252 190)		88 683 462
Solid Waste	282 865	251 509	-	-		534 375
Total Assets under construction	151 637 654	133 504 877	(122 917 539)	(1 592 880)	207 213	160 839 326

Loss on disposal as reflected on the Statement of Financial Performance consists of :
2018/19

Der recognition of Assets	(6 372 841)
Assets Written Off	(837 108)
	(7 209 949)

4 Intangible Assets

	2020			2019		
	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE
Intangible Assets	21 178 828	(19 538 047)	1 640 781	21 178 828	(18 716 200)	2 462 628
Intangible Assets - Under Development	878 938	-	878 938	878 938	-	878 938
	22 057 766	(19 538 047)	2 519 719	22 057 766	(18 716 200)	3 341 566

Reconciliation of Intangible Assets - 2020

	OPENING BALANCE	ADDITIONS	ASSET UNDER CONSTRUCTION BROUGHT INTO USE	ASSETS WRITTEN OFF	AMORTISATION	CLOSING BALANCE
Intangible Assets	2 462 628	-	-	-	(821 847)	1 640 781
Intangible Assets - Under Development	878 938	-	-	-	-	878 938
	3 341 566	-	-	-	(821 847)	2 519 719

Reconciliation of Intangible Assets - 2019

	OPENING BALANCE	ADDITIONS	ASSET UNDER CONSTRUCTION BROUGHT INTO USE	ASSETS WRITTEN OFF	AMORTISATION	CLOSING BALANCE
Intangible Assets	3 966 300	-	-	-	(1 503 672)	2 462 628
Intangible Assets - Under Development	878 938	-	-	-	-	878 938
	4 845 240	-	-	-	(1 503 672)	3 341 566

5 Heritage Assets

	2020			2019		
	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE
	105 386	-	105 386	105 386	-	105 386
Historical Monuments	105 386	-	105 386	105 386	-	105 386

**2020
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6 EMPLOYEE BENEFIT OBLIGATIONS

6.1 Pension benefits

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

Superannuation

The interim valuation carried out on the Superannuation Fund as at 31 March 2019 reflected:

- Fund fully funded before Solvency Reserve but not fully funded on the financial soundness basis incorporating full Solvency Reserve.
- Asset composition on valuation date appropriate to nature of the liabilities.
- Investment strategy suitable for the Fund.
- Fund's reinsurance arrangements appropriate.

Provident Fund

The interim valuation carried out on the Provident Fund as at 31 March 2019 reflected:

- The Fund is financially sound at valuation date
- Surplus is function of smoothing
- Contribution to risk and expenses sufficient – per Trustee decision, excess applied to retirement benefits
- Asset composition appropriate to the nature of the liabilities
- Investment strategy suitable for Fund – Asset Liability Modelling results presented in February 2020
- Self-insurance arrangement appropriate given the Risk Reserve held

Retirement Fund

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2019 reflected:

Memorandum Account fully funded after allowing for Risk Reserve and full Solvency Reserve

- Balance of assets in the Memorandum Account used to fund the Solvency Reserve in respect of pensioners as well as towards future pension increases
- Surcharges payable i.t.o. "Scheme to Eliminate Deficiency"
- Surcharge to members of 1.65% ceased February 2019
- Surcharge to local authorities increased from 20% to 35% wef 1.3.2019
- Fund not in a sound financial position but surcharge expected to eliminate deficit by 2021
- Asset composition appropriate to the nature of the liabilities
- Investment strategy suitable for the Fund
- Fund's reinsurance arrangements appropriate

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6.2 Post-employment medical benefits

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Key Health, LA Health, Samwumed and HosMed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, Arch Actuarial Consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

In estimating the liability for post-employment medical aid benefits a number of assumptions are required as per GRAP 25. APN 30 states that the assumptions should be realistic and mutually compatible. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount rate per annum	10.55%	9.49%
Health care cost inflation rate	6.59%	6.93%
Net effective discount rate	3.72%	2.39%
Average retirement age	62	62
Proportion continuing membership at retirement	75%	75%
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA (90)-1	PA (90)-1
(No explicit assumption was made about additional mortality or health care costs due to AIDS).		

Percentage of in-service members withdrawing before retirement:	Males	Females	Males	Females
Age 20 - 24	9%	9%	9%	9%
Age 25 - 29	8%	8%	8%	8%
Age 30 - 34	6%	6%	6%	6%
Age 35 - 39	5%	5%	5%	5%
Age 40 - 44	5%	5%	5%	5%
Age 45 - 49	4%	4%	4%	4%
Age 50 - 54	3%	3%	3%	3%
Age 55 - 59	0%	0%	0%	0%
Age 60+	0%	0%	0%	0%

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. A discount rate of 10.55% per annum has been used. The corresponding index-linked yield at this term is 4.72%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020.

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

83 093 000 **93 806 315**

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	93 806 315	94 726 280
Current service cost	3 629 591	3 845 842
Interest cost	8 760 836	8 983 517
Benefit payments	(3 048 712)	(2 946 714)
Actuarial (gains)/losses	(20 055 030)	(10 802 610)
Balance at end of year	83 093 000	93 806 315

The amounts recognised in the Statement of Financial Performance were as follows:

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	2020 R	2019 Restated R
Current service cost	3 629 591	3 845 842
Interest cost	8 760 836	8 983 517
Benefit payments	(3 048 712)	(2 946 714)
Actuarial (gains)/losses	(20 055 030)	(10 802 610)
TOTAL	(10 713 315)	(919 965)
The 2019/20 Gain is consolidated under other income.		

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

SENSITIVITY RESULTS

The liability at the Valuation Date was recalculated to show the effect of:

- (1) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (2) A 1% increase and decrease in the discount rate;
- (3) A one-year age increase and decrease in the assumed rates of post-employment mortality
- (4) A one-year decrease in the assumed average retirement age
- (5) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members	Continuation members	Total	% change
Central assumptions		45.201	37.892	83.093	
Health care inflation rate	+1%	50.179	39.990	90.169	9%
	-1%	39.271	35.471	74.742	-10%
Discount rate	+1%	37.634	34.788	72.422	-13%
	-1%	54.945	41.531	96.476	16%
Post-employment mortality	+1 yr	44.202	36.847	81.049	-2%
	-1 yr	46.176	38.926	85.102	2%
Average retirement age	-1 yr	47.999	37.892	85.891	3%
Continuation of membership at retirement	-10%	39.645	37.892	77.537	-7%

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 9% higher than that shown.

Table 2 summarises the results of this analysis on the Current - service and Interest Costs

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Sensitivity Analysis on Current-service and Interest Costs

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		3,629,600	8,760,800	12,390,400	
Health care inflation rate	+1%	4,108,400	9,538,100	13,646,500	10%
	-1%	3,004,600	7,802,900	10,807,500	-13%
Discount rate	+1%	2,857,000	8,290,300	11,147,300	-10%
	-1%	4,674,300	9,278,600	13,952,900	13%
Post-employment mortality	-1 yr	3,717,300	9,003,200	12,720,500	3%
Average retirement age	-1 yr	3,817,200	9,031,800	12,849,000	4%
Continuation of membership at retirement	-10%	3,209,800	8,149,600	11,359,400	-8%

HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE ADJUSTMENTS

The following table summarises the accrued liabilities and the plan assets for the current period and the previous four periods.

History of liabilities and assets (R millions)

Liability history	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Accrued liability	84.223	90.463	94.726	93.806	83.093
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Surplus / (Deficit)	(84.223)	(90.463)	(94.726)	(93.806)	(83.093)

6.3 Long service awards and retirement gifts

The independent valuers, Arch Actuarial Consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

In estimating the liability for long service leave benefits, a number of assumptions are required as per GRAP 25. These assumptions should be realistic and mutually compatible. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount rate per annum	7.40%	8.21%
General Salary Inflation (long term)	4.03%	5.59%
Net effective discount rate	3.24%	2.48%

Examples of mortality rates used were as follows:

Average retirement age	62 years	62 years
Mortality during employment	SA85-90	SA85-90

Members withdrawn from service:

	Males	Females	Males	Females
Age 20 - 24	9%	9%	9%	9%
Age 25 - 29	8%	8%	8%	8%
Age 30 - 34	6%	6%	6%	6%
Age 35 - 39	5%	5%	5%	5%
Age 40 - 44	5%	5%	5%	5%
Age 45 - 49	4%	4%	4%	4%
Age 50 - 54	3%	3%	3%	3%
Age 55 - 59	0%	0%	0%	0%
Age 60+	0%	0%	0%	0%

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Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. A discount rate of 7.40% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 7.40% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 3.70%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2020.

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations
Fair value of plan assets

Liability in the Statement of Financial Position	23 419 000	21 086 875
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Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	21 086 875	17 292 602
Current service cost	2 255 793	1 542 837
Interest cost	1 659 566	1 420 327
Actuarial (Gain)/losses	197 721	1 898 485
Benefit payments	(1 780 955)	(1 704 438)
Past service costs	-	637 062
Balance at end of year	23 419 000	21 086 875

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	2 255 793	1 542 837
Interest cost	1 659 566	1 420 327
Actuarial (Gain)/losses	197 721	1 898 485
Benefit payments	(1 780 955)	(1 704 438)
Past service cost	-	637 062
TOTAL	2 332 125	3 794 273

In conclusion:

Statement of Financial Position obligation for:		
Post-employment medical benefits	83 093 000	93 806 315
Current Portion	3 253 000	3 048 712
Non- Current Portion	79 840 000	90 757 603
Long Service Award	23 419 000	21 086 875
Current Portion	2 607 000	1 780 955
Non- Current Portion	20 812 000	19 305 920
	106 512 000	114 893 190
Statement of Financial Performance obligation for:		
Post-employment medical benefits	(10 713 315)	(919 965)
Long Service Award loss	2 332 125	3 794 273
	(8 381 190)	2 874 308

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SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results are:

- (1) The general salary inflation rate assumption
- (2) The discount rate assumption
- (3) The average retirement age of employees
- (4) Assumed rates of withdrawal of employees from service

SENSITIVITY RESULTS

The liability at the Valuation date was recalculated to show the effect of:

- (1) A 1% increase and decrease in the assumed general salary inflation rate.
- (2) A 1% increase and decrease in the discount rate.
- (3) A two-year decrease and increase in the assumed average retirement age of employees.
- (4) A two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Tables 1 summarises the results of the sensitivity analysis.

Sensitivity Analysis of the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		23,419,000	
General earnings inflation rate	+1%	24,946,000	7%
	-1%	22,044,000	-6%
Discount rate	+1%	21,916,000	-6%
	-1%	25,120,000	7%
Average retirement age	+2 yrs	24,603,000	5%
	-2 yrs	22,116,000	-6%
Withdrawal rates	x2	18,841,000	-20%
	x0.5	26,600,000	14%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 7% higher

Table 2 summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2020

Sensitivity Analysis on Current-service and Interest Costs

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		2,255,800	1,659,600	3,915,400	
General earnings inflation rate	+1%	2,451,200	1,778,300	4,229,500	8%
	-1%	2,082,800	1,552,900	3,635,700	-7%
Discount rate	+1%	2,088,700	1,730,800	3,819,500	-2%
	-1%	2,447,800	1,573,600	4,021,400	3%
Average retirement age	+2 yrs	2,365,300	1,760,700	4,126,000	5%
	-2 yrs	2,135,900	1,541,300	3,677,200	-6%
Withdrawal rates	x0.5	2,757,100	1,923,500	4,680,600	20%

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**HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE
ADJUSTMENTS**

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods.

History of liabilities and assets (R millions)

Liability history	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Accrued liability	12.899	14.692	17.293	21.087	23.419
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Surplus / (Deficit)	(12.899)	(14.692)	(17.293)	(21.087)	(23.419)

7 LONG-TERM RECEIVABLES

Housing selling scheme loans	3 788 222	3 906 420
Less: Allowance for impairment and future housing discounts	(3 142 793)	(3 264 855)
Total	645 429	641 565
Transfer to Current Portion		
Less: Current portion transferred to current receivables	(35 523)	(18 509)
Total Receivables	609 906	623 055
Written - off during the year	195 880	629 971

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing's programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

8 INVENTORIES

Housing Inventory	142 490	142 490
Consumable stores	705 617	339 775
Mechanical spares	26 552	14 372
Electrical maintenance spares	3 757 098	4 811 229
Fuel	141 401	58 390
Total Inventories	4 773 157	5 366 257

Periodically, physical stock counts are carried out.

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9. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	117 070 102	109 933 921
Estate	85 287	81 749
Refuse	20 168 975	17 198 718
VAT on Consumer debtors	21 546 466	18 233 887
Legal Fees	6 283 763	4 889 085
Encroachment and plot clearing	513 105	626 645
Sundry Adjustments	(283 456)	150 980
Interest	10 048 913	7 965 771
Add back credits included above	335 355	298 511
Less: Allowance for impairment	(64 626 961)	(49 675 158)
	<u>111 141 549</u>	<u>109 704 109</u>
Electricity		
Current (0 – 30 days)	87 791 447	81 065 057
31 - 60 Days	9 306 614	5 063 226
61 - 90 Days	4 730 152	2 710 561
91 - 120 Days	3 924 803	1 778 044
Greater than 120 days	11 317 086	19 317 033
Total	<u>117 070 102</u>	<u>109 933 921</u>
Estate		
Current (0 – 30 days)	1 791	3 597
31 - 60 Days	1 086	1 133
61 - 90 Days	1 086	1 063
91 - 120 Days	1 086	809
Greater than 120 days	80 238	75 148
Total	<u>85 287</u>	<u>81 749</u>
Refuse		
Current (0 – 30 days)	3 336 636	2 873 112
31 - 60 Days	1 268 144	1 102 302
61 - 90 Days	1 024 209	770 588
91 - 120 Days	755 233	860 035
Greater than 120 days	13 784 753	11 592 680
Total	<u>20 168 975</u>	<u>17 198 718</u>

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9. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

VAT on Consumer Debtors

Current (0 – 30 days)	13 597 289	12 505 603
31 - 60 Days	1 609 530	859 379
61 - 90 Days	875 976	500 596
91 - 120 Days	706 732	414 549
Greater than 120 days	4 756 939	3 953 760

Total	21 546 466	18 233 887
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Legal Fees

Current (0 – 30 days)	481 243	402 235
31 - 60 Days	1 826	217 908
61 - 90 Days	323 682	49 127
91 - 120 Days	130 021	97 875
Greater than 120 days	5 346 991	4 121 940

Total	6 283 763	4 889 085
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Encroachment and plot clearing

Current (0 – 30 days)	168	1 344
31 - 60 Days	-	2 965
61 - 90 Days	9 442	1 515
91 - 120 Days	-	40 693
Greater than 120 days	503 495	580 127

Total	513 105	626 645
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Sundry Adjustments

Current (0 – 30 days)	(366 051)	88 370
31 - 60 Days	49	(12 822)
61 - 90 Days	(6 906)	(3 934)
91 - 120 Days	222	4 071
Greater than 120 days	89 230	75 295

Total	(283 456)	150 980
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Interest

Current (0 – 30 days)	661 926	585 943
31 - 60 Days	467 200	471 144
61 - 90 Days	429 975	417 046
91 - 120 Days	421 169	375 591
Greater than 120 days	8 068 643	6 116 047

Total	10 048 913	7 965 771
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Add: credits included above

Current (0 – 30 days)	9 830 309	9 325 028
31 - 60 Days	(1 024 275)	(1 020 762)
61 - 90 Days	(1 010 618)	(889 401)
91 - 120 Days	(864 043)	(538 309)
Greater than 120 days	(6 596 018)	(6 578 046)

Total	335 355	298 511
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9. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Reconciliation of the Allowance for Impairment

Balance at beginning of the year

Receivables from exchange transactions	49 675 158	40 740 420
Long term receivables	3 264 855	3 631 327
Receivables from non-exchange transactions	168 748 798	136 062 351
Total balance at beginning of the year	221 688 812	180 434 098

(Release from) / Contribution to provision

Receivables from exchange transactions	14 951 803	8 934 738
Long term receivables	(122 062)	(366 472)
Receivables from non-exchange transactions	40 855 939	32 686 447
Total (Release from) / Contribution to provision	55 685 680	41 254 714

Balance at end of year

Receivables from exchange transactions	64 626 961	49 675 158
Long term receivables	3 142 793	3 264 855
Receivables from non-exchange transactions	209 604 737	168 748 798
Total Balance at end of year	277 374 492	221 688 812

Bad debts written off

Bad debts written off - Exchange Transactions	3 922 516	768 760
Bad debts written off - Non - Exchange Transactions	716 015	5 065 790
Total Bad debts written off	4 638 531	5 834 549

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Rates	170 214 523	128 212 363
Other debtors	145 046 595	143 199 393
Department of Housing - RDP projects	251 934	251 934
Operating leases	1 694 100	1 847 529
less: Allowance for impairment	(209 604 737)	(168 748 798)
	107 602 416	104 762 421

Rates

Current (0 – 30 days)	25 455 873	22 546 929
31 - 60 Days	15 955 400	9 251 596
61 - 90 Days	10 756 840	6 952 153
91 - 120 Days	8 577 290	6 026 396
Greater than 120 days	109 469 121	83 435 289
Total	170 214 523	128 212 363

Other Debtors:

Included in Other Debtors are:

Traffic Fines Debtor	108 475 614	98 716 410
Accrued Income	2 704 663	3 375 445
Ilembe water deposits	56 491	56 491
Sundry Debtors - R&G	32 731 156	33 184 001
Prepaid expenditure	1 069 192	7 118 533
Housing bridge financing and pay parking	9 480	748 513
	145 046 595	143 199 393

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11 VAT Receivable

VAT

11 130 793

9 779 039

VAT is recognised / (accounted for) on a payments basis. Once payment is received from debtors VAT is paid over to SARS.

12 Short term investments

The municipality has the following short term investments

Investec Bank Account - Durban Branch Account Number 1100-482666-456	-	27 388 466
Investec Bank Account - Durban Branch Account Number 1100-482666-451	30 000 000	-
Nedbank Account - Stanger Branch Account Number 9996-19832841	-	115 817
Nedbank Account - Stanger Branch Account Number 9997-19832841	-	201 565
Nedbank Bank Account - Treasury Branch Account Number 03/7881022337/161	-	24 000 000
Standard Bank Account - Durban Branch Account Number 058756442-088/091	22 231 436	20 500 000
Standard Bank Account - Durban Branch Account Number 058756442-087/090	14 156 295	13 051 000
Standard Bank Account - Durban Branch Account Number 058756442-089	-	25 000 000
Nedbank Bank Account - Treasury Branch Account Number 03/7881022337/162/163/164	24 447 947	22 500 000
ABSA Bank Account - Stanger Branch Account Number 2079270909	27 000 000	-
Nedbank Bank Account - Treasury Branch Account Number 03/7881022337/165	26 064 000	-
	143 899 677	132 756 847

13 Cash and cash equivalents

Cash and cash equivalents consist of:

	Bank statement balances		Cash book balances	
	2020	2019	2020	2019
Bank Balances and short term deposits	644 073 882	557 984 432	643 616 220	565 939 178

The municipality had the following Investment and Bank accounts

Account number / description	Bank statement balances		Cash book balances	
	2020	2019	2020	2019
Nedbank Bank Account - Stanger Branch Account Number 31337173-9975: Call Account	9 137 986	8 605 388	9 137 986	8 605 388
First National Bank Account - Stanger Branch Account Number 62288308672	646 652	618 947	646 652	618 947
First National Bank Account - Stanger Branch Account Number 62288306147	322 643	308 819	322 643	308 819
First National Bank Account - Stanger Branch Account Number 62363519251	17 116 879	16 398 272	17 116 879	16 398 272
ABSA Account - Durban Branch Account Number 93 1800 0892	65 562 294	13 864 159	65 562 294	13 864 159
ABSA Bank Account - Stanger Branch Account Number 9330098057	213 898 817	201 242 833	213 898 817	201 242 833
ABSA Bank Account - Stanger Branch Account Number 932 12992298	777 606	736 339	777 606	736 339
ABSA Bank Account - Stanger Branch Account Number 932 1890676	233 287	221 159	233 287	221 159
ABSA Bank Account - Stanger Branch Account Number 932 1890529	863 110	817 296	863 110	817 296
ABSA Bank Account - Stanger Branch Account Number 932 1063433	2 958 043	2 798 683	2 958 043	2 798 683
ABSA Bank Account - Stanger Branch Account Number 932 1889635	3 937 475	3 725 192	3 937 475	3 725 192
ABSA Bank Account - Stanger Branch Account Number 932 1890113	268 386	254 379	268 386	254 379
ABSA Bank Account - Stanger Branch Account 932 3556707	12 464 703	11 786 023	12 464 703	11 786 023
ABSA Bank Account - Stanger Branch Account Number 932 6885911	6 082 799	5 754 629	6 082 799	5 754 629
First National Bank Account - Stanger Branch Account Number 53730256310: Cheque Account	13.1 35 942 503	17 167 887	-307 270 711	-69 970 711

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

13 Cash and cash equivalents (Continued)

Account number / description		Bank statement balances		Cash book balances	
		2020	2019	2020	2019
Primary Bank Account ABSA Bank Stanger Branch Account Number 4087 627126	13.1	29 467 560	64 505 194	371 577 927	156 006 566
Fines Bank Account First National Bank Account - Stanger Branch Account Number 62079758268: Cheque Account		1 331 505	1 244 972	1 331 505	1 244 972
Grants Bank Account (2) ABSA- Stanger Branch Account Number 74303898107: Cheque Account		60 184 133	57 479 146	60 184 133	57 479 146
ABSA Bank - Stanger Branch Account Number 408 8890536		1 366 838	2 605 594	1 366 838	2 605 594
ABSA Bank - Stanger Branch Account Number 408 8890196		1 841 251	3 134 809	1 841 251	3 134 809
ABSA Bank - Stanger Branch Account Number 408 889105		19 836 868	33 777 866	19 836 868	33 777 866
ABSA Bank - Stanger Branch Account Number 408 8891427		45 388	45 170	45 388	45 170
ABSA Bank - Stanger Branch Account Number 408 8892732		60 963	60 045	60 963	60 045
ABSA Bank - Stanger Branch Account Number 408 8893047		157 312	152 026	157 312	152 026
ABSA Bank - Stanger Branch Account Number 408 8893306		37 166	37 314	37 166	37 314
ABSA Bank - Stanger Branch Account Number 93 5527 2791		14 825 624	-	14 825 624	-
ABSA Bank - Stanger Branch Account Number 9357410284		16 383 322	-	16 383 322	-
ABSA Bank Account - Stanger Branch Account Number 93 3046 2759		2 492 386	2 358 145	2 492 386	2 358 145
ABSA Bank Account - Stanger Branch Account Number 93 3924 6273		13 577 381	12 838 087	13 577 381	12 838 087
ABSA Bank Account - Stanger Branch Account Number 93 3252 2727		5 864 929	5 548 524	5 864 929	5 548 524
ABSA Bank Account - Stanger Branch Account Number 40 9577 4472		65 865 645	89 897 533	65 865 645	89 897 533
Nedbank Account - Stanger Branch Account Number 9996-19832841		125 824	-	125 824	-
Nedbank Account - Stanger Branch Account Number 9997-19832841		219 397	-	219 397	-
First National Bank Account - Stanger Branch		40 177 205	-	40 177 205	-
Petty Cash & Cash on hand		-	-	645 184	408 514
Foreign Currency		-	-	-	3 183 457
		644 073 882	557 984 432	643 616 220	565 939 178

13.1 The cash book totals for FNB (Account 53730256310) , R 307 270 711, and ABSA (Account 4087627126), R 371 577 927, are aggregated to the ABSA account. Due to the interlinked nature of these accounts ,the above fairly presents the financial state of the municipality as at 30 June 2020

KWADUKUZA MUNICIPALITY
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2020
R

2019 Restated
R

14 Revaluation reserve

Opening balance	18 313 137	18 313 137
Movement for the year	-	-
Closing balance	18 313 137	18 313 137

15 HOUSING OPERATING ACCOUNT

The Housing Operating Account is represented by the following assets and liabilities:

Fixed Assets	1 580 970	1 914 779
Housing Inventory	142 490	142 490
Debtors	346 278	781 832
Debtors: Department of Housing	251 934	251 934
Accumulations	6 576 360	5 854 145
Prepaid debtors	(169 878)	(217 024)
	8 728 156	8 728 156

16 LEASES

Minimum Finance lease payments due:

Within one year	1 156 986	1 156 986
Later than 1 year and no later than 5 years	578 493	1 735 479
	1 735 479	2 892 465
less: Future finance charges	(133 154)	(350 382)
Present value of minimum lease payments	1 602 325	2 542 083

Present value of minimum Finance lease payments due:

Within one year	1 040 740	939 758
Later than 1 year and no later than 5 years	561 585	1 602 325
	1 602 325	2 542 083

The municipality has entered into lease agreement with Motswako Office Solutions for the use of photocopy machines, effective 01 January 2019. The lease runs for a period of 3 years.

OPERATING LEASES - RECEIVABLES (Municipality as a Lessor)

The future minimum lease payments receivable under operating leases for the actual receivables are as follows:

No later than 1 year	711 205	677 338
Later than 1 year and no later than 5 years	3 218 653	3 065 384
Later than 5 years	907 698	1 772 173
	4 837 557	5 514 895

Salient leases

The municipality has entered into a non-cancellable lease with a private contractor to operate the Dolphin Caravan park. The lease runs for a period of 25 years, starting 1 July 2001. Real rental income escalates at 5% per annum.

OPERATING LEASES - PAYABLES (Municipality as a Lessee)

The future minimum lease payments payable under operating leases for the actual payables are as follows:

No later than 1 year	363 643	336 706
Later than 1 year and no later than 5 years	-	-
Later than 5 years	-	-
	363 643	336 706

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The municipality has entered into lease agreement with Shann Investments (PTY) LTD for the occupation of premises. The lease runs for a period of 3 years, which terminated on the 31 August 2018, with an option to extend for a further 2 years. Real rental expense escalates at 8% per annum. The municipality has extended the lease agreement for the second year.

17 Unspent conditional grants, receipts and Public contributions

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts:

Municipal Infrastructure Grant	-	1 392 303
Department of Minerals and Energy DME (INEP)	-	612 997
Museum	2 101 717	-
Department of Sports and Recreation	-	23 288
Municipal Assistance Programme	-	92 235
New library	184 394	336 761
Small Town Rehabilitation Grant	2 382 150	4 010 338
Housing Accreditation	11 749 891	17 118 539
Energy Efficiency & Demand Side Management Grant	-	358 995
Disaster Relief Grant	894 000	-
Ballito Junction Road	9 873 612	9 873 612
IFA Huletts Sports Facility	275 934	275 934
IFA Huletts Beach Node Development	2 748 970	2 748 970
KwaDukuza Mall Development	9 738 012	5 725 147
	39 948 679	42 569 118

Further details of amounts recognised in Revenue - refer to Note 26

18 Provisions

Reconciliation of Current provision

Reimbursement of Developers Contribution

Opening balance	-	-
Transfer to current provisions	-	11 967 563
Utilised during the year	-	(11 967 563)
Total	-	-

Rehabilitation of Landfill Site

Opening balance	1 890 591	1 791 722
Additions /(Decrease) to provisions	(52 885)	98 870
Total	1 837 706	1 890 591

Total Current Provision:

1 837 706	1 890 591
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Reconciliation of Non - Current provision - 2020:

1. Rehabilitation of Landfill Site

Opening balance	9 648 036	9 116 724
Additions / (Decrease) to provisions	1 397 413	531 312
Total	11 045 449	9 648 036

2. Developers Contribution

Opening balance	3 932 546	8 539 705
Additions / (Decrease) to provisions	1 326 676	7 360 404
Utilised during the year	-	(11 967 563)
Total	5 259 222	3 932 546

KWADUKUZA MUNICIPALITY
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	2020 R	2019 Restated R
3. Deferred Interest		
Opening balance	4 651 709	12 012 113
Additions / (Decrease) to provisions	(1 326 676)	(7 360 404)
Utilised during the year	-	-
Total	<u>3 325 033</u>	<u>4 651 709</u>

Total Non - Current Provision:	<u>19 629 703</u>	<u>18 232 290</u>
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Total Current Provision:	1 837 706	1 890 591
Total Non - Current Provision	19 629 703	18 232 290
Total Provisions:	<u>21 467 409</u>	<u>20 122 882</u>

Net adjustments to Provisions	1 344 527	630 181
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The provision created for the rehabilitation of the landfill site is based on a professional study conducted by Ecological and Environmental Services of the rehabilitation costs of the Shakaville dumpsite.

The provision reflects a total of R12 883 154.61 as the present value.

19 Long term Liabilities

Non Annuity Loans - Bank Loans

Bear interest at 8.79% to 9.73% and is redeemed in bi-annual instalments, including interest, over varying periods until 2032.

Non Annuity Loans	211 098 042	220 928 058
Current portion transferred to Current Liabilities	(10 771 480)	(9 830 016)
Total Long Term Liabilities	<u>200 326 562</u>	<u>211 098 042</u>

20 TRADE & OTHER PAYABLES

Trade payables	155 345 363	169 014 815
Payments received in advance	28 027 449	21 660 810
Other creditors	26 104 710	22 183 582
Housing Agency Creditor - Department of Human Settlements (Refer to Note 59)	52 676 287	35 643 090
Cheques payments not yet presented to bank	191 392	269 468
Deposits - other	4 721 671	5 383 570
Staff leave	21 558 599	17 666 637
Staff bonus	9 963 881	9 134 208
Retentions	20 037 989	19 080 713
	<u>318 627 342</u>	<u>300 036 893</u>

Payments in advance includes prepaid electricity accruals

21 Consumer Deposits

Consumer Deposits in respect of: Electricity	<u>35 326 269</u>	<u>33 500 617</u>
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22 Service charges

Sale of electricity	837 544 909	814 344 107
Refuse removal	65 695 423	59 753 715
	<u>903 240 332</u>	<u>874 097 822</u>

KWADUKUZA MUNICIPALITY
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R

23 Other Income

Contributions demand based	13 484 249	15 932 241
Building plan fees	7 245 240	8 632 734
Sundries	3 731 490	2 675 585
Electricity availability	3 408 331	3 043 369
Admin charges	1 127 808	1 151 381
Sundry income	7 535 873	7 644 397
Special Rating Areas Income	10 815 027	10 817 079
Foreign exchange gains	307 683	-
	47 655 701	49 896 787

24 Investment revenue

Interest revenue

Total interest Earned on Investments & Bank Accounts	43 548 079	38 901 477
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25 PROPERTY RATES

Residential	255 309 430	227 284 312
Commercial	138 543 710	128 482 312
Residential for commercial purposes	1 566 652	1 450 537
Education and State	7 323 729	7 104 290
Agriculture	3 253 306	2 933 236
Vacant	83 867 190	73 997 949
Public Service Infrastructure	792 400	1 583 734
Total Actual Assessment Rates	490 656 417	442 836 370
Property rates - penalties imposed	19 792 877	14 684 033
Assessment rates including Penalties	510 449 294	456 367 339

Property Valuations

Residential	40 343 404 500	39 324 747 500
Commercial	6 175 374 000	6 207 234 000
Residential for commercial purposes	190 040 000	190 040 000
Education and State	329 706 000	328 611 000
Municipal	655 541 000	656 604 000
Agriculture	3 443 745 000	3 363 335 000
Vacant	3 972 582 000	3 730 933 000
Land reform	1 075 005 000	1 075 005 000
Monuments	2 019 000	2 019 000
Public Service Infrastructure	3 209 990 000	3 210 125 000
Worship / Public Benefit Organisations	169 614 000	169 384 000
Total Property Valuations	59 567 020 500	58 258 037 500

The last general valuation came into effect on: 01.07.2014

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 (MPRA) with effect from 01/07/2007

Adjustments to the valuation roll in terms of Section 78 of the MPRA (as amended) are effected on an on-going basis. The adjustments take into account consolidations and subdivisions as well as property category changes.

Assessment rates: Cents in the rand on market valuation as follows:

Residential, informal settlements, land reform, monuments	0.800	0.741
Residential for commercial purposes	0.877	0.812
Agricultural	0.201	0.186
Industrial, business and commercial, vacant, public infrastructure, Municipal owned and worship	2.248	2.292
Properties used by an organ of state and used for public service purposes	2.475	2.292

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	2020 R	2019 Restated R
Guest houses	2.240	2.074
Public service infrastructure	0.201	0.186
The first R100 000 of the valuation of residential properties are exempt from the calculation of rates		
The first 30% of the valuation of public service infrastructure properties are exempt from the calculation of rates		
Rebates:		
Land reform, worship, state land, PBO's, monuments, informal settlements and municipal owned property	100%	100%
Additional rebates applicable:		
Excluded services	15%	15%
All Pensioners		
Pensioners under 65 years	25%	25%
Pensioners between 65 & 75 years	30%	30%
Pensioners older than 75 years	35%	35%
Industrial incentives including:		
In the first year, thereafter phased out by 10% per annum down to 60%	100%	100%
Residential Developers incentives		
In first & second year thereafter phased out by 10% per annum	100%	100%
Bonafide Agricultural properties		
 Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2019/2020 financial year:		
On an annual basis, by application, and the final date of payment being:	30 September 2019	30 September 2018
On a monthly basis, and the final dates of payment being the last working day of the month from August 2019 to June 2020.		
Interest is levied on outstanding rates per annum at :	15.5% per annum	15.5% per annum
Plus collection charges two months after the final date of payment in respect of annual rate payers and 01 July in respect of monthly rate payers:	10%	10%

26 GOVERNMENT GRANTS AND SUBSIDIES

Operating grants		
Equitable Share	167 408 000	147 876 000
Municipal Infrastructure Grant	53 076 303	52 573 697
Financial Management Grant	1 800 000	1 800 000
Department of Minerals and Energy	10 000 000	9 307 002
New Library Grant	785 367	745 755
Library Subsidy	5 279 000	5 028 000
Museum	1 100 283	192 000
Small Town Rehabilitation Grant	6 628 188	989 662
Energy Efficiency & Demand Side Management Grant	-	4 641 005
Expanded Public Works Programme	1 729 000	1 540 000
Housing Accreditation	5 368 647	4 128 596
Municipal Assistance Programme (MAP)	92 235	192 166
Department of Sports and Recreation	23 288	121 253
Disaster Relief Grant	-	-
	253 290 311	229 135 138

KWADUKUZA MUNICIPALITY
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	2020 R	2019 Restated R
Equitable Share		
Balance unspent at the beginning of year	-	-
Current year receipts	167 408 000	147 876 000
Conditions met – transferred to revenue	<u>(167 408 000)</u>	<u>(147 876 000)</u>
	<u>-</u>	<u>-</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	1 392 303	-
Current year receipts	51 684 000	53 966 000
Conditions met - transferred to revenue	<u>(53 076 303)</u>	<u>(52 573 697)</u>
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>1 392 303</u>

This grant was used for road & storm water infrastructure, including the construction of community halls and sports fields.

Financial Management Grant

Current year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	<u>(1 800 000)</u>	<u>(1 800 000)</u>
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>-</u>

This grant is used to assist the municipality to implement financial reforms required by the MFMA.

Department of Minerals and Energy Grant

Balance unspent at beginning of year	612 997	15 924 506
Current year receipts	10 000 000	9 920 000
Conditions met - transferred to revenue	<u>(10 000 000)</u>	<u>(9 307 002)</u>
Paid back to the National Revenue Fund	<u>(612 997)</u>	<u>(15 924 506)</u>
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>612 997</u>

This grant is used for electrification projects as part of upgrading of informal settlement areas.

New Library Grant

Balance unspent at beginning of year	336 761	491 516
Current year receipts	633 000	591 000
Conditions met - transferred to revenue	<u>(785 367)</u>	<u>(745 755)</u>
Conditions still to be met - remain liabilities (see note 17)	<u>184 394</u>	<u>336 761</u>

This Grant is used for the payment of the cyber cadets at the Shakaskraal, Stanger Manor and KwaDukuza libraries.

Department of Sports and Recreation

Balance unspent at beginning of year	23 288	94 541
Current year receipts	-	50 000
Conditions met - transferred to revenue	<u>(23 288)</u>	<u>(121 253)</u>
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>23 288</u>

This grant is used to pay for Caretakers for the maintenance and upkeep of sports facilities.

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	2020 R	2019 Restated R
Municipal Assistance Program		
Balance unspent at beginning of year	92 235	284 401
Current year receipts	-	-
Conditions met - transferred to revenue	(92 235)	(192 166)
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>92 235</u>

This grant is used to strengthen credit control and debt collection processes.

Museum

Balance unspent at beginning of year	-	-
Current year receipts	3 202 000	192 000
Conditions met - transferred to revenue	(1 100 283)	(192 000)
Conditions still to be met - remain liabilities (see note 17)	<u>2 101 717</u>	<u>-</u>

This grant is for the Museum expenditure incurred.

Small Town Rehabilitation

Balance unspent at beginning of year	4 010 338	
Current year receipts	5 000 000	5 000 000
Conditions met - transferred to revenue	(6 628 188)	(989 662)
Conditions still to be met - remain liabilities (see note 17)	<u>2 382 150</u>	<u>4 010 338</u>

This grant is for the upgrade of Theunissen Park.

Energy Efficiency & Demand Side Management

Balance unspent at beginning of year	358 995	-
Current year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(4 641 005)
Paid back to the National Revenue Fund	(358 995)	
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>358 995</u>

This grant is for community upliftment

Expanded Public Works Program

Balance unspent at beginning of year	-	-
Current year receipts	1 729 000	1 540 000
Conditions met - transferred to revenue	(1 729 000)	(1 540 000)
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>-</u>

EPWP grant funding is used to expand job creation efforts in specific focus areas where labour intensive delivery methods can be measured.

26 Government grants and subsidies (continued)

Library Subsidy

Balance unspent at beginning of year	-	-
Current year receipts	5 279 000	5 028 000
Conditions met - transferred to revenue	(5 279 000)	(5 028 000)
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>-</u>

This grant is used to fund operational expenditure within the various libraries in KwaDukuza.

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2020
R

2019 Restated
R

Housing Accreditation Grant

Balance unspent at beginning of year	17 118 539	17 747 141
Current year receipts	-	3 499 994
Conditions met - transferred to revenue	(5 368 647)	(4 128 596)
Conditions still to be met - remain liabilities (see note 17)	11 749 891	17 118 539

This grant is for community upliftment

Disaster Relief Grant

Balance unspent at beginning of year	-	-
Current year receipts	894 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 17)	894 000	-

This grant is to assist with Covid 19 expenditure

27 Public Contributions

IFA Huletts Sports Facility	-	1 567 019
Ballito Junction Road	-	1 459 481
IFA Huletts Beach Node Development	-	1 767 320
KwaDukuza Mall Development	587 136	1 574 853
	587 136	6 368 673

Balance unspent at beginning of year	18 623 663	17 692 336
Current-year receipts	4 600 000	7 300 000
Conditions met - transferred to revenue	(587 136)	(6 368 673)
Balance unspent at end of year (Note 16)	22 636 528	18 623 663

Conditions still to be met - remain liabilities (see note 17)

28 Employee related costs

Basic	232 250 564	207 898 725
Bonus	18 208 253	15 955 222
Medical aid - company contributions	23 623 517	21 121 517
UIF	1 689 397	1 709 308
Industrial council levies	115 922	102 200
Leave pay provision charge	6 102 306	5 004 361
Leave & bonus provision expense	4 721 635	4 899 538
Travelling allowances	15 438 565	14 022 966
Overtime payments	48 011 181	41 961 663
Housing benefits and allowances	990 704	889 989
Group Life Assurance	1 748 024	1 351 372
Pension Contributions	42 109 348	37 249 736
Standby, Uniform, Telephone and Tool allowances	10 900 998	10 624 392
	405 910 414	362 790 990

Remuneration of the Municipal Manager

Salary and Allowances	1 458 476	1 432 052
Back pay	-	108 239
Travel Allowance	96 000	96 000
Cell Allowance	17 160	17 160
Performance Bonus	67 943	80 577
Acting allowance	-	-
Pension	142 201	150 178
Pension Surcharge	-	-
Other contributions	15 459	18 268
	1 797 239	1 902 475

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	2020 R	2019 Restated R
Remuneration of the Chief Financial Officer		
Salary and Allowances	1 082 823	1 015 075
Back pay	-	22 250
Travel Allowance	475 104	475 104
Cell Allowance	14 520	14 520
Performance Bonus	117 120	111 437
Acting allowance	-	-
Pension	197 690	158 823
Pension Surcharge	-	52 337
Other contributions	13 710	15 983
	1 900 967	1 865 528
Executive Director: Economic Development & Planning		
Salary and Allowances	1 141 536	1 086 582
Ex Gratia	520 717	-
Back pay	-	19 497
Travel Allowance	96 000	96 000
Cell Allowance	14 520	14 520
Performance Bonus	111 086	92 221
Acting allowance	-	-
Pension	227 754	184 613
Pension Surcharge	-	60 741
Other contributions	17 667	13 996
	2 129 280	1 568 169
Executive Director: Corporate Services		
Salary and Allowances	1 329 563	1 266 977
Back pay	-	23 714
Travel Allowance	96 000	96 000
Cell Allowance	14 520	14 520
Performance Bonus	97 201	92 221
Acting allowance	-	-
Pension	-	-
Pension Surcharge	-	-
Other contributions	14 921	16 632
	1 552 205	1 510 064
Executive Director: Community Safety		
Salary and Allowances	1 305 563	1 242 977
Back pay	-	23 714
Travel Allowance	120 000	120 000
Cell Allowance	14 520	14 520
Performance Bonus	69 429	65 872
Acting allowance	-	-
Pension	-	-
Pension Surcharge	-	-
Other contributions	14 877	16 320
	1 524 389	1 483 404

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	2020 R	2019 Restated R
Executive Director: Community Services & Public Amenities		
Salary and Allowances	1 055 562	1 002 523
Back pay	-	20 097
Travel Allowance	180 000	180 000
Cell Allowance	14 520	14 520
Performance Bonus	111 086	92 221
Acting allowance	-	-
Pension	190 001	184 072
Pension Surcharge	-	-
Other contributions	12 131	13 677
	1 563 300	1 507 109
Chief Operations Officer		
Salary and Allowances	1 084 565	1 021 311
Back pay	-	19 497
Travel Allowance	185 400	185 400
Cell Allowance	14 520	14 520
Performance Bonus	97 201	65 872
Acting allowance	-	10 028
Pension	197 149	160 483
Pension Surcharge	-	52 802
Other contributions	12 698	13 999
	1 591 533	1 543 912
Executive Director: Civil Engineering & Human Settlements		
Salary and Allowances	1 126 748	1 073 710
Back pay	-	20 097
Travel Allowance	96 000	96 000
Cell Allowance	14 520	14 520
Performance Bonus	55 543	65 872
Acting allowance	-	-
Pension	202 815	196 885
Pension Surcharge	-	-
Other contributions	12 107	13 388
	1 507 733	1 480 471
Executive Director: Electrical Engineering Services		
Salary and Allowances	971 610	653 155
Back pay	748 498	14 026
Travel Allowance	180 000	180 000
Cell Allowance	14 520	14 520
Performance Bonus	41 657	45 975
Acting allowance	-	-
Pension	309 619	120 093
Pension Surcharge	-	-
Other contributions	18 936	9 989
	2 284 840	1 037 758
Executive Director: Youth		
Salary and Allowances	-	298 182
Back pay	-	-
Travel Allowance	-	75 000
Cell Allowance	-	6 050
Performance Bonus	-	-
Acting allowance	-	-
Pension	-	53 673
Pension Surcharge	-	-
Other contributions	-	4 154
	-	437 059

The Executive Director: Youth was employed on 01 January 2019. He resigned in June 2019.

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29 REMUNERATION OF COUNCILLORS

Mayor	-	788 947
Deputy Mayor	755 878	728 375
Speaker	755 878	728 375
Executive Committee (EXCO)	5 993 501	6 291 158
Councillors	13 890 186	12 672 769
Councillors' pension contribution	1 157 394	1 073 178
Traditional leaders	7 200	10 200

22 560 037

22 293 002

The Mayor resigned in May 2019. As at 30 June 2020, no Mayor has subsequently been resolved upon.

30 Depreciation and amortisation

Property, Plant & Equipment	72 428 097	68 546 521
Intangible assets	821 847	1 503 672
	73 249 944	70 050 194

31 Impairment of assets

Impairments / (Impairment Reversals)

Property, Plant & Equipment	2 208 408	818 871
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32 Finance costs

Finance costs on borrowings	21 503 557	22 222 847
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33 Debt impairment and write offs

Contributions to debt impairment provision	55 685 680	41 621 185
Bad debts written off	4 834 411	6 464 520
	60 520 091	48 085 706

34 Bulk purchases

Electricity	716 028 548	630 488 802
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Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom and Nersa approved a 15.63% tariff hike in favour of Eskom for the 2019/2020 financial year.

35 GENERAL EXPENSES

Included in general expenses is the following: -

Replacement of faulty meters	196 849	53 080
Indigent support - parks and gardens	22 595 456	16 945 521
Indigent support - waste management	2 054 129	3 183 700
Call out to consumer complaints	61 878	25 000
Legal costs	5 531 420	5 971 884
Marketing	90 000	399 752
Audit fee - external audit	3 510 796	3 993 047
Bank charges	2 789 655	3 312 003
Insurance general	3 287 644	2 559 835
Refuse bags/contract	767 142	3 141 229
Ward Committee	3 681 000	4 022 400
Ballito Pro expenditure	6 529 901	6 298 113
Advertising	2 235 514	5 206 742
Printing, Stationery & postage	2 340 542	3 326 515

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	2020 R	2019 Restated R
Subscriptions	3 767 588	3 695 502
Water & Sanitation	5 287 262	4 039 459
Sundry Oils & Fuels	8 820 485	9 110 270
Street lighting consumption	1 234 884	6 107 606
Staff & councillor training costs and bursaries	2 058 417	3 127 162
Travelling & subsistence	1 762 217	3 791 032
Telephone calls / rentals	5 093 865	2 826 109
Protective clothing	5 340 682	3 656 537
Non standard service connection	44 585	104 347
Software support & licences and agreements	4 937 695	5 435 807
Miscellaneous Expenses	15 265 598	19 901 442
Special Rating Area Expenditure	11 249 560	9 497 936
Rent of Property / Offices / House	2 154 919	2 008 751
EPWP	3 755 484	2 020 487
Housing Accreditation	-	67 953
Public Affairs	256 857	2 575 893
Sukuma Sakhe	1 136 397	2 735 114
KwaDukuza Music Festival	189 000	2 882 000
Kwanaloga Games	254 680	1 019 112
Workman's Compensation	1 951 634	1 987 330
Skills Development Levy	2 768 987	2 904 480
Loss on foreign currency	13 725	375 994
TOTAL GENERAL EXPENSES	133 016 446	148 309 144
36 Fair value adjustment		
Investment property (Fair value model)	(5 330 000)	4 850 000
37 Commitments		
Authorised capital expenditure		
Approved and Contracted for:		
Infrastructure	70 380 334	120 381 566
Community	50 571 983	34 403 081
	120 952 317	154 784 647
Total capital commitments		
Approved and Contracted for:	120 952 317	154 784 647
Capital Commitments are exclusive of VAT		
38 Contingent liabilities		
Details of Contingent Liabilities		
Reimbursement of capital costs of bulk supply to developers: (Vat Exc) The reimbursement is dependent on the developers meeting future targets as set out in the service level agreements. The timing and outcome of the reimbursements cannot presently be determined and therefore no provision for any liability that may result has been made in the financial statements.	107 371 310	107 267 244
Municipality is being sued arising out of a minor child sustaining injuries allegedly after being electrocuted when she touched a light pole in Hulett Street.	260 000	260 000
Municipality is being sued by S Govender pertaining to a collision involving a vehicle owned by the Municipality.	130 000	130 000
S T B Dlamini -Allegations of the Municipality's contractors encroaching onto grave sites.	100 000	100 000

KWADUKUZA MUNICIPALITY
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	2020 R	2019 Restated R
Municipality is being sued for damages - plaintiff shot in leg by municipal employee using a municipal firearm.	150 000	150 000
Inqubeko Yamaqungebe Trading - claim against the municipality where the plaintiff alleges that the municipality unilaterally terminated the contract which had been concluded by the parties.	75 000	75 000
SMADA Construction - municipality is being sued for contractual damages due to cancellation of contract.	200 000	200 000
R Lutchman - Claim against the municipality due to damages to vehicle caused by pot holes.	8 192	8 192
N Dube and V Hlatwayo - claim against the municipality arising from vehicle collusion with municipal vehicle.	18 950	18 950
T Mthembu - claim against the municipality due to damages to vehicle caused by pot holes	10 012	10 012
Ibhongo Consulting - the supplier claims that certain construction work undertaken has not been paid.	418 352	418 352
V Govender - municipality is being sued due to plaintiff suffering damages after falling into uncovered manhole.	135 000	135 000
R I Marais - Claim against the municipality for certain maintenance and repair work done on a public road on behalf of the municipality and not being compensated for this.	100 000	100 000
The Plaintiff institutes action against the Defendant in which action the Plaintiff claims the relief and on the grounds of unlawful arrest.	500 000	500 000
N N P SHINGA - claim against the municipality due to a dispute in a Purchase and Sale Agreement.	655 897	655 897
Ranesh Naidoo -claim against the municipality due to damages to vehicle caused by pot holes	31 986	31 986
B S P Pillay - the Plaintiff is suing a municipal employee in her personal capacity for the damages, who was acting under her course and scope of employment.	200 000	200 000
	110 364 699	110 260 634

39 Related parties and close family members

Related Parties

Staff member: P Murugan

General Expenses for the year:

142 402

56 330

Nature of Transaction: The brother of the employee provide pest control services to the municipality.

Councillor: R Singh

General Expenses for the year:

2 588

33 724

Nature of Transaction: A close family member of the Councillor owns a company that provide printing services. Council conducts business with this company.

KWADUKUZA MUNICIPALITY
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	2020 R	2019 Restated R
Councillor: N Dasrath		
General Expenses for the year:	2 588	33 724
Nature of Transaction: A close family member of the Councillor owns a company that provide printing services. Council conducts business with this company.		
Councillor: G Govender		
General Expenses for the year:	6 900	2 588
Nature of Transaction: The son of the Councillor owns a company that provides panel beating and spray painting services.		
Staff member: F Ndabambi		
General Expenses for the year:	-	16 250
Nature of Transaction: The spouse of the employee provides sidewalk rehabilitation services to the municipality.		
Staff member: R Bidesi		
General Expenses for the year:	18 277	54 485
Nature of Transaction: The relative of the employee provides electrical services to the municipality.		
Staff member: M Naidoo		
General Expenses for the year:	87 935	111 889
Nature of Transaction: The relative of the employee provides airconditioning services to the municipality.		
Staff member: S Kuber		
General Expenses for the year:	6 004	41 029
Nature of Transaction: The father of the employee provides printing services to the municipality.		
Staff member: N Nxumalo		
General Expenses for the year:	307 430	-
Nature of Transaction: The partner of the employee provides fixtures and fittings to the municipality.		

Payments of remuneration to Senior Managers and Councillors - details of payments are set out in Notes 28 & 29

Awards to close family members of persons in the Service of the State:

Particulars of Award	SMEC	SMEC
Expenditure	R1 216 828	R 1 530 338
Individual's name / Service Provider	M Phosa	M Phosa
Relation in Service of the State	Spouse	Spouse
State Employer	National Assembly	National Assembly
Particulars of Award	Conlog	Conlog
Expenditure	R14 466	R 405 929
Individual's name / Service Provider	Mr Moodley & Mr Gaxeni	Mr Moodley & Mr Gaxeni
Relation in Service of the State	Spouse	Spouse
State Employer	KZN Dept. of Health / Eskom	KZN Dept. of Health / Eskom

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	2020 R	2019 Restated R
Particulars of Award	3 D Sensation	3 D Sensation
Expenditure	Trading	Trading
Individual's name / Service Provider	R11 751	R736 564
Relation in Service of the State	T Nzuza	T Nzuza
State Employer	Spouse	Spouse
	KwaDukuza Municipality	KwaDukuza Municipality
Particulars of Award	Rocky Park	Rocky Park
Expenditure	Hardware	Hardware
Individual's name / Service Provider	R763 677.13	R1 015 244.65
Relation in Service of the State	L Naidoo	L Naidoo
State Employer	Spouse	Spouse
	Dept Of Education	Dept Of Education
Particulars of Award	Singh's Hardware	Singh's Hardware
Expenditure	R392 009.62	-
Individual's name / Service Provider	Mrs Divesh	Mrs Divesh
Relation in Service of the State	Spouse	Spouse
State Employer	Dept Of Education	Dept Of Education
Particulars of Award	IT Maintenance	IT Maintenance
Expenditure	R1 236 186.75	R1 554 189.00
Individual's name / Service Provider	S Nundlall	S Nundlall
Relation in Service of the State	Daughter	Daughter
State Employer	Dept of Environmental Affairs (Cape Town)	Dept of Environmental Affairs (Cape Town)

40 Change in estimate

Property, Plant and equipment

The Municipality reviewed the useful lives of items of property, plant and equipment and intangible assets. Adjustments to these useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. As a result of this adjustment, the current year total depreciation decreased by a net R9 071 246 and will continue to affect annual depreciation for the remainder of these assets' useful lives. The detail breakdown of the depreciation adjustment is as follows:

Buildings	-1 328 856
Housing Assets	-69 600
Electricity Infrastructure	-3 651 046
Storm water	-202 842
Roads Infrastructure	-586 905
Solid Waste	-13 959
Cemeteries	-14 298
Furniture and Fittings	-1 521 223
Vehicles	-991 052
Intangible Assets	-685 631
Leased Assets	-5 834
	-9 071 246

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41 Prior period errors

The comparatives for 2018/19 have been restated in respect of the following errors:

41.1 Restatement of Trade & other payables (Note 7) 295 614 278

Trade & other payables as previously reported.

Adjustment to electrical connection deposits that was previously transferred to revenue as the jobs have now been costed out	30 440
Adjustment retentions that was previously transferred to revenue as they should now be released	432 461
Adjustments to various general expenses items for 2018/2019	(188 652)
Adjustment to Housing Agency creditor in respect of 2018/2019 interest on Housing bank accounts	1 832 390
Adjustments to VAT on retentions 2018/2019	(447 040)
Adjustments to VAT on retentions prior 2018/2019	2 763 015

Restated balance as at 30 June 2019 **300 036 892**

41.2 Restatement of Non-Exchange Receivables (Note 10)

Non - exchange receivables as previously reported **104 497 796**

Adjustments to Rates Revenue 2018/19 in respect of S78 & other related adjustments	1 310 949
Adjustments to Rates Revenue prior 2018/19 in respect of S78 & other related adjustments	(1 153 065)
Adjustment to sundry income 2018/19 in respect of shop stewards recovery costs	(245 656)
Adjustments to 2018/2019 Rental debtors in respect of Rocky Park housing scheme	705 480
Adjustments to prior 2018/2019 Rental debtors in respect of Rocky Park housing scheme	687 480

Restated balance as at 30 June 2019 **105 802 985**

41.2 Restatement of Exchange Receivables (Note 9)

Non - exchange receivables as previously reported **103 340 956**

Adjustment to electricity debtors in respect of internal billings 5 638 357

Restated balance as at 30 June 2019 **108 979 313**

41.3 Restatement of Property, Plant & Equipment (Note 3)

Property, Plant & Equipment as previously reported: **2 113 564 939**

Derecognition of land transferred to beneficiaries	(3 686 000)
Depreciation adjustments 2018/19 in respect of Salt Rock Ablution and Ward 2 storm water	(209)
Recognition of Roads and Stormwater from AUC - Hillview stormwater Ward 16	1 144 395
Recognition of Roads and Stormwater from AUC - Hillview stormwater Ward 16	(1 144 395)
Depreciation adjustments 2018/2019 - Hillview Stormwater Ward 16	(5 477)

Restated balance as at 30 June 2019 **2 109 873 254**

41.4 VAT receivable (Note 11)

KWADUKUZA MUNICIPALITY
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	2020 R	2019 Restated R
VAT Receivable as previously reported:		7 463 064
Adjustments to VAT on retentions 2018/2019		(447 040)
Adjustments to VAT on retentions prior 2018/2019		2 763 015
Restated balance as at 30 June 2019		9 779 039
Reconciliation of Adjusted 2018/2019 Surplus:		
Reconciliation of Adjusted 2018/2019 Surplus:		
Surplus for the year as previously stated		248 666 343
Property rates		
Adjustments to Rates Revenue 2018/19 in respect of S78 & other related adjustments		1 153 065
Other Income		
Adjustment to Electrical connection deposits previously written back to revenue or classified as revenue instead of liability		(30 440)
Adjustment to 2018/19 sundry income - old retentions transferred to revenue, now being brought back due to a release.		(432 461)
Adjustment to 2018/19 sundry income - shop stewards costs being reversed		(245 656)
General Expenses		
Adjustment to 2018/2019 General Expenses in respect of misallocations		188 652
Service Charges		
Adjustment to 2018/2019 electricity service charges		5 638 357
Depreciation		
Adjustment to 18/19 depreciation - Ward 2 storm water project		92
Adjustment to 18/19 depreciation - Salt Rock ablution facility - storm water		(38)
Adjustment to 18/19 depreciation - Salt Rock ablution facility - Roads		(192)
Adjustment to 18/19 depreciation - Salt Rock ablution facility - Buildings		(71)
Adjustment to depreciation 2018/2019 - Hillview Stormwater Ward 16		(5 477)
Loss on disposal of assets and liabilities		
Adjustment to Developed Land 2018/19 - transferred to beneficiaries		(3 686 000)
Interest received - Investments		
Adjustment to 2018/2019 interest income due to Housing interest being capitalised to the Housing Agency account		(1 832 390)
Rental of facilities and equipment		
Adjustments to 2018/2019 Rental debtors in respect of Rocky Park housing scheme		705 480
Restated Surplus as at 30 June 2019		250 119 264

42 Cash flows from Operating Activities:

Operating Surplus before working capital		
Total Surplus for the year	190 764 574	250 119 263
Adjustment for:		
Depreciation of Property, Plant and Equipment	72 428 097	68 546 521

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	2020 R	2019 Restated R
Donations of assets	(575 440)	(27 675 743)
Loss on Disposal	1 449 536	7 187 669
Impairment loss	2 208 408	818 871
Amortisation of intangible assets	821 847	1 503 672
Contribution to provision	1 344 527	630 181
Retirement obligation	(10 713 315)	(919 965)
Long service award	2 332 125	3 794 273
Investment Properties - Fair Value	5 330 000	(4 850 000)
Allowance for impairment	55 685 680	41 621 185
Bad debts written off	4 638 531	5 834 549
	325 714 571	346 610 478
Cash Generated by Operations		
Operating Surplus before working capital	325 714 571	346 610 478
Movement in current assets and liabilities		
(Increase)/decrease in inventory	593 100	1 690 525
Increase/(decrease) in conditional grants and receipts	(2 620 439)	(9 665 321)
(Increase)/decrease in trade and other receivables	(64 605 511)	(62 504 868)
Increase/(decrease) in Trade and Other Payables	18 590 449	83 190 663
Increase/decrease in VAT	(1 351 754)	(1 406 879)
Increase/(decrease) in Provisions	-	(11 967 563)
Net cash flows from operating activities	276 320 417	345 947 034
Interest earned on Investments	(43 548 079)	(38 901 477)
Finance expense	21 503 557	22 293 002
43 Fines		
Total revenue from Fines Income	11 445 971	12 779 409
Fines are issued in terms of S341 & S56 of the Criminal Procedures Act 51 of 1977		
44 Contracted Services		
Refuse removal	36 090 393	28 940 176
Grass cutting	18 641 198	21 632 057
Survey and facilitation fees for roads and housing projects	-	287 000
Specialist financial and GRAP related services	806 125	925 379
Storm water	3 868 398	4 210 943
Pothole repairs	4 681 475	4 492 284
Other Contracted Services	14 144 404	10 958 303
Dump charges	19 394 098	18 142 125
Security Services	27 402 559	26 823 405
Shark Control Expenditure	4 187 855	3 634 758
Valuation and Valuation Rolls	1 581 183	810 855
Professional Fees	2 664 900	2 039 971
Commission on Electricity vending	6 325 694	7 514 493
Maintenance of building facilities and equipment	15 707 533	17 116 130
Electrical Mains Repairs	7 411 614	7 221 227
	162 907 428	154 749 106
46 Events after the reporting date		
NERSA has approved a 6.9% increase in Eskom bulk purchase tariffs.		
47 Unauthorised expenditure		
Overspending of amount appropriated in a vote	22 092 288	-

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Reconciliation of Unauthorised expenditure written off

Opening Balance	-	-
Incurred for the year	22 092 288	-
Written off by council	-	-
Remaining to be considered	22 092 288	-

48 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	-	-
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Reconciliation of Fruitless and Wasteful expenditure written-off by Council

Opening Balance	3 718 033	3 738 033
Incurred for the year	-	-
Written Off by Council	-	(20 000)
Remaining to be considered	3 718 033	3 718 033

49 Irregular Expenditure:

Other goods and/or services not procured through competitive bidding processes.	1 141 920	3 432 141
Irregular expenditure pertaining to grass cutting contracts.	33 010 302	18 873 824
Section 36 approvals subsequently reclassified as irregular expenditure.	25 645 132	38 943 175
Irregular expenditure pertaining to non-compliance with Section 17(1) of DORA	-	20 129 868
Irregular expenditure pertaining to Section 32 appointments	7 106 643	5 635 528
Irregular expenditure pertaining to local content specifications	-	410 519
Irregular expenditure pertaining to awards to entities whose Directors/members were in the service of the municipality	-	60 524
Irregular expenditure pertaining to variation orders	-	1 802 950
Irregular expenditure pertaining to the procurement of refuse removal services.	60 326 771	45 762 274
Irregular expenditure pertaining to the procurement of security services.	29 738 634	23 872 304
Irregular Expenditure pertaining to Turnkey Appointments	-	10 136 538
	156 969 402	169 059 645

Reconciliation of Irregular Expenditure Written-off by Council

Opening Balance	122 314 800	56 122 940
Incurred for the year	156 969 402	169 059 645
Written-off by Council	-	(102 867 785)
Remaining to be considered	279 284 202	122 314 800
The write off of irregular expenditure is pending Council decision		

50 Deviation from supply chain management regulations

Emergency	23 930 923	37 312 068
Sole Provider	1 080 247	1 307 878
Acquisition of social work of art or historic objects where specifications are difficult to compile	-	2 192 000
Any other exceptional case which it is impractical to follow the official procurement process	2 915 235	9 106 132
Section 36 deviation transferred to irregular expenditure	(25 645 132)	(38 943 175)
Total Section 36 deviations for the financial year	2 281 272	10 974 904

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	2020 R	2019 Restated R
51 Repairs and Maintenance		
Buildings	20 476 803	25 349 290
Solid waste	7 050	29 200
Electrical	13 719 333	10 331 299
Furniture and fittings	1 226 206	911 002
Roads	6 598 403	7 225 979
Storm water	3 868 398	4 210 943
Vehicles	7 928 553	8 039 570
	53 824 746	56 097 284

The above note is provided for disclosure purposes only. The underlying accounts aggregated to the above is reflected under the categories of the nature of the expense they relate to on the Statement of Financial Performance, ie. Contracted Services and General Expenses.

52 Material losses incurred

Electricity distribution losses	152 560 007	115 101 490
Bad debts written off	4 834 411	5 834 549

Electricity energy losses of 137 297 168 kWh as at June 2020 (June 2019: 122 149 967 kWh) occurred during the year which resulted in revenue loss amounting to R152 560 007 (June 2019: R 115 101 490). The National norm for electricity losses ranges from 6% to 12%. The energy loss incurred by the municipality as at June 2020 is 20.94% (June 2019: 18.05%) and is mainly due to transmission/distribution losses and illegal connections.

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53 Councillor's Arrear consumer Accounts as at 30 June 2020

In terms of Section 124 (1) (b) the following particulars are disclosed in respect of any owed by individual councillors during the financial year: The following councillor had debt in excess of 90 days for the months stipulated below:

Councillor: V Govender

July 2019	367 639
August 2019	373 126
September 2019	379 184
October 2019	385 277
November 2019	391 515
December 2019	398 439
January 2020	404 109
February 2020	410 676
March 2020	417 605
April 2020	423 496
May 2020	429 959
June 2020	436 785

In terms of S124 (1) (b) the above are disclosed in respect of any arrears owed by individual Councillors during the financial year. In terms of clause 30.2 of KwaDukuza Municipality Credit Control & Debt Collection Policy, this matter has been consistently reported to the Office of the Speaker. The Councillor had debt in excess of 90 days for the months as stipulated. The above account is under dispute and is currently being reviewed by the relevant parties.

Due to the above uncertainties this debt has been fully impaired.

Councillor: MSCM Motala

July 2019	-
August 2019	-
September 2019	-
October 2019	-
November 2019	-
December 2019	-
January 2020	-
February 2020	-
March 2020	-
April 2020	-
May 2020	23 191
June 2020	23 360

The Councillor has made part payments to the above account. The account has therefore not been impaired

54 Contributions to Organised Local Government

Amount paid current year	-	3 731 341
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Expenditure related to the 2019/2020 year was prepaid in the prior year.

Audit Fees

Amount paid - current year	4 037 416	3 993 047
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55 VAT

VAT received for the year	36 000 052	25 059 028
VAT paid for year	5 750 782	3 191 127

2020
R

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R

VAT input receivables and VAT output payables are shown in Note 11.

All VAT returns have been submitted by the due date throughout the year.

56 PAYE and UIF

Current year payroll deductions	67 925 593	58 359 112
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57 Pension and Medical Aid deductions

Current year payroll deductions and council contributions	102 657 000	92 051 056
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58 Budget verses Actual variances

A high level overview of significant Operating Variances between the 30 June final budget and Actual amounts are summarised below :

Significant for the purposes of this note is defined as greater than 15% and R 1 000 000.

Revenue:

58.1 Interest earned outstanding debtors

Various debt reduction strategies were implemented in the current financial year.

58.2 Other Income

Reduction in the value of post retirement recognition liability and increase in various other minor classes of income

58.3 Property rates - penalties imposed

The Budget for Property rates revenue includes property rates- penalties imposed. When aggregated, this results in a positive 2% variance.

58.4 Licences and Permits

This variance is mainly due to the lockdown as a result of the COVID 19 pandemic with the Vehicle & Testing Station being closed for the last 4 months of the financial year.

58.5 Public contributions and donations

No donations were foreseen at the point of budget approval.

58.6 Fines

Traffic fines issued was substantially lower than anticipated. As a result of the lockdown, fines were not issued and processed.

58.7 Employee and Long Services Gains

Unforeseen circumstances due to the impact of COVID which resulted in Gains being recognised.

Expenditure

58.8 Depreciation

As a result of fewer than expected capital assets being released from Work in Progress , the deprecation expense for the year was lower than anticipated.

58.9 Debt Impairment and write offs

Bad debts written off together with the profiling of debtors has resulted in an increase in provision.

2020
R

2019 Restated
R

58.10 Contracted services

Due to the lockdown, various projects linked to contracted services had to be put on hold, hence the negative variance.

58.11 Other Expenses

The variances can be found in Contracted services and Special rating expenditure under Property Rates.

58.12 Loss on disposal of assets

Various Land transferred to beneficiaries

58.13 Transfers and subsidies

The municipality did not provide any transfers and subsidies to any external organisations.

58.13 Contributions recognised - capital

No expenditure recognised on projects funded by Public Contributions

58.15 Capital Budget

Delays in construction work due to lockdown is one of the primary reasons for the underspending on internally funded capital expenditure.

R15m allocation for the purchase of Office Space, the tender for the loan has been awarded and will be finalised once the Office Space is identified for procurement. The loan was rolled over into the 2020/21 financial year.

59 Accounting by Principals and Agents

Housing Development Project

The municipality is a party to a principal-agent arrangement in terms of the Housing Development Project. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Human Settlements being the principal in this arrangement.

Details of the arrangement is as follows:

The purpose of the arrangement is to construct low-cost houses for the identified beneficiaries. The funding is provided by the Provincial Department of Human Settlements.

Significant terms and conditions of the arrangement are as follows:

Design the product in consultation with all stakeholders.
 Prepare detailed Top Structure foundation designs in accordance to the varying geotechnical conditions.
 Construct the Top Structure in accordance with the drawings and specifications within the period of the agreement.
 Hand constructed houses over to beneficiaries.

Significant risks have been identified as follows:

The significant risks identified are delays in funding approval, Social unrest, Inadequate funding to meet the requirements, and environmental risks

Mitigation strategies and benefits associated with the relationship are as follows:

Ensuring compliance with the agreements to ensure speedy release of the funding
 Constant communication with the community and ensuring public participation
 Be pro-active in the feasibility study to be aware of the environmental pre-conditions

2020
R

2019 Restated
R

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

Current year movements:

Amounts received from DOHS in respect of Housing projects	127,939,811
Amounts paid to Contractors and suppliers	109,074,223
Net current year movement	18,865,588

(Further details are provided in the Housing Agency Account)

Revenue recognised

The municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities which were incurred on behalf of the principal have been settled in full during the financial year. No amounts are outstanding as at year-end.

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Resources have been recognised by the agent in its financial statements related to the outstanding payable of R52 676 287, being the creditor as disclosed in terms of note 20.

During the period, the municipality constructed houses in (Sokesimbone, Sakhamkhanya, Lloyds, Ntshawini, Nyathikazi, Mgigimbe, Senzangakhona, Steve Biko, and Etete,) with the total expenditure incurred being R130 563 901.93

The municipality co-ordinates the houses being constructed, which will be transferred to the beneficiaries upon completion of the project, on behalf of Provincial Department of Human Settlements. The estimated transfer date is June 2022.

Motor Vehicle Registrations

The municipality is a party to a principal-agent arrangement in terms of motor vehicle registrations and licensing. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Transport being the principal in this arrangement.

Details of the arrangement

The purpose of the principal-agent relationship is to provide a service to the community and to enhance the municipality's revenue.

Significant terms and conditions of the arrangement are as follows:

The Provincial Department shall issue the motor vehicle license renewal form to the respective owners of the motor vehicles, indicating the amount due for the year.

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2020
R

2019 Restated
R

The municipality provide facilities for owners of motor vehicles to pay their licenses. The Provincial Department provide the municipality with access to its IT systems to enable capturing of the amounts received and issuing of the motor vehicle licenses on their behalf. The system automatically generates the motor vehicle license upon capturing the payment of the fees due.

The municipality collects the fees due from motor vehicle owners and simultaneously issues the new licenses on behalf of the Department.

The municipality is required to pay over any revenue (cash) collected to the Department in respect of motor vehicle licenses. The municipality is entitled to retain 8.55% of the cash collected for undertaking this activity on behalf of the Department.

Significant risks have been identified as follows:

The significant risks relates to the possible loss of any monies during transit and potential theft by employees.

Mitigation strategies and benefits associated with the relationship are as follows:

Monies collected are banked daily.

Security – Segregation of duties, each operator must have own username and password for banking details.

Resources held on behalf of the principal, but recognised in the entity's own financial statements

Total collections for the year	R54 727 025.26
Amount recognised as revenue	R4 679 160.66
Total Collected on behalf of DOT	R50 047 864.60
Total paid to DOT	R50 047 864.60
Debtor as at year end	R0.00

Liabilities and corresponding rights of reimbursement recognized as assets

No liabilities were incurred on behalf of the principal during the financial year, and hence no outstanding payments were recorded at year end.

No corresponding rights of reimbursement that have been recognized at year end.

Resources (including assets and liabilities) of the entity under the custodianship of the agent

No resources have been recognized by the agent in its financial statements. The equipment supplied by the department should be returned to DOT when the agreement is terminated.

45 FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk.

The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

45.1 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows.

2020	1 Year or less	Greater than 1 year	Total
Gross finance lease obligations	1 040 740	561 585	1 602 325
Long Term Borrowings	10 771 480	200 326 562	211 098 042
Trade and other payables	318 627 342	-	318 627 342
Consumer deposits	35 326 269	-	35 326 269
Foreign Currency	-	-	-
Government Grants	39 948 679	-	39 948 679
	405 714 511	200 888 147	606 602 657

2019	1 Year or less	Greater than 1 year	Total
Gross finance lease obligations	939 758	1 602 325	2 542 083
Long Term Borrowings	9 830 016	211 098 042	220 928 058
Trade and other payables	300 036 893	-	300 036 893
Consumer deposits	33 500 617	-	33 500 617
Foreign Currency	3 183 457	-	3 183 457
Government Grants	42 569 118	-	42 569 118
	390 059 860	212 700 367	602 760 227

45.2 Maximum credit risk exposure

Credit risk consist mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit exposure in respect of the relevant financial instruments is as follows (domestic exposure only)

	2020	2019
Short term Investments	143 899 677	132 756 847
Cash and Cash Equivalents	643 616 220	565 939 178
Interest rate swaps	-	-
Financial guarantees	-	-
Trade and other receivables	219 389 394	215 108 094

45.3 Market Risk:

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in the market interest rate.

At year end, financial instruments exposed to interest rate risk were as follows:

	2020	2019
Bank balances and cash	643 616 220	565 939 178
Short term Investments	143 899 677	132 756 847
Maximum Interest exposure	787 515 897	698 696 025

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

KWADUKUZA MUNICIPALITY

UNAUDITED APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2020

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/2019	Received during the year	Redeemed / Adjustments / (Interest Capitalised) during this period	Balance at 30/06/2020
		%		R	R	R	R
Non Annuity Loans							
DBSA R43M LOAN	101267/1	8.79%	31/03/2026	14 581 316.95	-	2 083 045	12 498 272
DBSA R28.9M (ELECT)	61006918/19	9.73%	30/09/2030	131 167 828.87	-	4 924 494	126 243 335
DBSA: R5.888 LOAN	61006918/19	9.73%	31/12/2032	75 178 912.10	-	2 822 477	72 356 436
TOTAL EXTERNAL LOANS				220 928 058	-	9 830 016	211 098 042

KWADAKUZA MUNICIPALITY
UNAUDITED APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2020

	COST /REVALUATION								ACCUMULATED DEPRECIATION						
	Opening Balance	Additions	WIP brought into use	Assets fair valued	Assets Donated	Recognition of expensed items	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Impairment	Transfers	Closing Balance	Carrying Value
Infrastructure Roads	827 126 071	68 740.00	68 543 705.46	-	-	-	-1 713 958	894 024 558	-231 779 058	-23 398 454	1 142 090	-1 657 138	-	255 692 560	638 331 998
Buildings	260 937 803	504 081.34	1 289 025.82	-	-	-	-	262 730 910	-78 218 287	-14 651 225	-	-	-	92 869 512	169 861 398
Cemetries	13 055 385	-	-	-	-	-	-	13 055 385	-3 768 274	-575 172	-	-	-	4 343 446	8 711 939
Solid Waste	5 941 819	1 177 310.00	-	-	-	-	-	7 119 129	-2 155 705	-368 979	-	-	-	2 524 684	4 594 445
Housing Assets	8 972 974	-	-	-	-	-	-	8 972 974	-7 058 195	-333 808	-	-	-	7 392 004	1 580 970
Stormwater Infrastructure	261 958 261	-	5 692 062.12	-	-	-	-	267 650 323	-76 317 780	-5 717 945	-	-469 182	-	82 504 907	185 145 417
Developed Land	137 135 724	-	-	-	-	-	(570 000.00)	136 565 724	-	-	-	-	-	-	136 565 724
Electricity Infrastructure	791 674 859	-	21 985 474.70	-	575 439.63	3 698 578.65	-	817 934 352	-253 793 045	-19 302 495	-	-58 719	-	273 154 259	544 780 093
Vehicles	71 073 240	13 210 765.79	-	-	-	-	-	84 284 006	-44 683 666	-2 972 056	-	-	-	47 655 721	36 628 284
Leased Assets	3 302 526	-	-	-	-	-	-	3 302 526	-805 892	-1 000 822	-	-	-	1 806 713	1 495 812
Undeveloped Land	252 912 250	-	-	-	-	-	-	252 912 250	-	-	-	-	-	-	252 912 250
Assets under Construction	160 632 113	156 521 033.44	(97 510 268.05)	-	-	-	(307 668.36)	219 335 210	-207 213	-	-	-	-	207 213	219 127 997
Furniture and Fittings	59 646 917	3 375 831.57	-	-	-	-	-	63 022 748	-45 709 491	-4 107 141	-	-23 369	-	49 840 001	13 182 748
	2 854 369 941	174 857 762	0	-	575 440	3 698 579	-2 591 626	3 030 910 095	-744 496 606	-72 428 097	1 142 090	-2 208 408	-	817 991 021	2 212 919 074

KWADAKUZA MUNICIPALITY

UNAUDITED APPENDIX C : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2020

		COST / REVALUATION					ACCUMULATED DEPRECIATION					
		OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE		OPENING BALANCE	ADDITIONS	DISPOSALS	IMPAIRMENT	CLOSING BALANCE	CARRYING VALUE
001	EXECUTIVE AND COUNCIL	207 435 151	4 794 819	(9 400 000)	202 829 970		20 094 184	1 694 168	-	392 031	22 180 382	180 649 587
002	FINANCE AND ADMINISTRATION	16 368 909	337 227	-	16 706 136		6 636 823	1 052 943	-	65 395.80	7 755 162	8 950 975
003	PLANNING AND DEVELOPMENT	22 026 307	898 356	-	22 924 663		8 381 218	1 247 093	-	406 989	10 035 300	12 889 363
005	COMMUNITY AND SOCIAL SERVICES	559 260 820	25 036 811	(3 895 907)	580 401 724		77 523 998	15 342 493	-	1 512 192	94 378 683	486 023 041
007	PUBLIC SAFETY	46 896 263	2 876 409	-	49 772 672		27 464 644	2 250 728	-	339 393	30 054 765	19 717 907
008	ROAD TRANSPORT	1 242 581 880	185 178 672	(69 364 431)	1 358 396 121		266 415 406	27 826 571	(1 121 020)	36 454 351.03	329 575 308	1 028 820 813
009	ELECTRICITY	955 426 001	61 242 711	(26 841 556)	989 827 156		306 719 553	23 746 501	-	12 342 395.05	342 808 449	647 018 707
010	YOUTH DEVELOPMENT	823 367	347 043	-	1 170 410		640 537	50 903	-	5 557.28	696 996	473 414
-												
Grand Total		3 050 818 698	280 712 049	- (109 501 894)	3 222 028 852		713 876 363	73 211 398	(1 121 020)	51 518 304	837 485 045	2 384 543 807

KWADUKUZA MUNICIPALITY

UNAUDITED APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

			2020 Actual Revenue R		2020 Actual Expenditure R		2020 (Surplus)/ Deficit R
		Executive and Council	(46 589 498)		81 842 419		35 252 921
		Internal Audit	(668 457)		3 534 153		2 865 696
		Finance and Administration	(608 783 184)		188 283 234		(420 499 951)
		Planning and Development	(25 977 820)		58 817 162		32 839 343
		Environmental Protection	(1 434 826.00)		2 042 582		607 756
		Community and Social Services	(18 211 807)		38 584 105		20 372 298
		Housing	(7 250 835)		14 690 864		7 440 029
		Public Safety	(12 197 434)		96 781 330		84 583 896
		Sports and Recreation	(46 633 715)		89 786 246		43 152 531
		Waste Management	(85 008 033)		91 772 181		6 764 148
		Road Transport	(71 658 212)		91 422 071		19 763 859
		Electricity	(874 711 811)		850 804 713		(23 907 098)
		Sub Total	(1799 125 633)		1 608 361 060		(190 764 573)

KWADUKUZA MUNICIPALITY
UNAUDITED APPENDIX E: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2020

	Actual 2020	Budget 2020	Budget after virements 2020	Variance 2020	Variance 2020
	R	R		R	%
REVENUE					
Revenue from non-exchange transactions					
Property rates	(490 656 417)	(500 014 557)	(500 014 557)	9 358 140	-1.87%
Property rates - penalties imposed and collection charges	(19 792 877)	(16 400 000)	(16 400 000)	(3 392 877)	20.69%
Fines	(11 445 971)	(25 320 035)	(25 320 035)	13 874 064	-54.79%
Government grants and subsidies	(253 877 447)	(259 378 898)	(259 378 898)	5 501 451	-2.12%
Licences and permits	(7 512 760)	(12 100 268)	(12 100 268)	4 587 508	-37.91%
Public donations - Property, plant and equipment	(575 440)	-	-	(575 440)	0.00%
Revenue from exchange transactions					
Service charges	(903 240 332)	(903 911 575)	(903 911 575)	671 243	-0.07%
Rental of facilities and equipment	(2 265 103)	(2 665 680)	(2 665 680)	400 576	-15.03%
Interest earned investments	(43 548 079)	(40 869 274)	(40 869 274)	(2 678 805)	6.55%
Interest earned outstanding debtors	(7 842 191)	(10 315 804)	(10 315 804)	2 473 613	-23.98%
Other income	(47 655 701)	(37 517 693)	(37 517 693)	(10 138 008)	27.02%
Revaluation of investment properties	-	(2 647 500)	(2 647 500)	2 647 500	-100.00%
Total Revenue	(1 788 412 318)	(1 811 141 284)	(1 811 141 284)	22 728 966	
EXPENDITURE					
Executive and Council	81 842 419	83 716 007	83 866 173	(2 023 754)	-2.42%
Internal Audit	3 534 153	4 307 922	4 229 816	(695 663)	-16.15%
Finance and Administration	188 283 234	172 790 423	172 718 358	15 564 876	9.01%
Planning and Development	58 817 162	69 318 631	69 732 663	(10 915 501)	-15.75%
Environmental Protection	2 042 582	3 154 429	2 740 398	(697 816)	-22.12%
Community and Social Services	38 584 105	44 673 374	44 673 376	(6 089 271)	-13.63%
Housing	14 690 864	17 775 394	17 775 394	(3 084 530)	-17.35%
Public Safety	96 781 330	122 325 406	122 325 404	(25 544 074)	-20.88%
Sports and Recreation	89 786 246	95 324 547	95 324 547	(5 538 301)	-5.81%
Waste Management	91 772 181	94 232 069	94 232 068	(2 459 887)	-2.61%
Road Transport	91 422 071	101 730 265	101 730 262	(10 308 191)	-10.13%
Electricity	850 804 713	923 166 965	923 166 964	(72 362 251)	-7.84%
Total Expenditure	1 608 361 060	1 732 515 432	1 732 515 423	(124 154 363)	-7.10%
SURPLUS FOR THE YEAR	(180 051 259)	(78 625 852)	(78 625 861)	(101 425 397)	

KWADUKUZA MUNICIPALITY
UNAUDITED APPENDIX F : GRANTS AND SUBSIDIES RECEIVED - 2019/2020

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2018/2019 financial statements	Returned to National Treasury	Quarterly Receipts				Quarterly Expenditure				Total Expenditure	Unspent portion 2019/2020 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
				July to Sept	Jan to Mar	April to June	Total Receipts	July to Sept	Oct to Dec	Jan to Mar	April to June						
				1	3	4		1	2	3	4						
Equitable Share	National Treasury	-	-	69 753 000	41 852 000	-	167 408 000	69 753 000	55 803 000	41 852 000	-	167 408 000	-	NO	N/A	YES	N/A
Municipal Infrastructure Grant (MIG)	COGTA	1 392 303	-	6 000 000	15 684 000	-	51 684 000	7 392 303	12 842 306	12 694 382	20 147 312	53 076 303	0	NO	N/A	YES	N/A
INEP Grant	Integrated National Electrification Grant	612 998	-612 998	4 000 000	3 000 000	-	10 000 000	757 903	2 218 789	-152 678	7 175 986	10 000 000	-0	NO	N/A	YES	N/A
Finance Management Grant	National Treasury	-	-	1 800 000	-	-	1 800 000	401 210	235 328	371 520	791 941	1 800 000	-	NO	N/A	YES	N/A
Museum	Office Of the Premier	-	-	-	-	-	3 202 000	-	-	777 883	322 401	1 100 283	2 101 717	NO	N/A	YES	N/A
DPT Sports	Department of Sports & recreation	23 288	-	-	-	-	-	12 080	7 465	-	3 743	23 288	-	NO	N/A	YES	N/A
Municipal Assistance Programme Grant	DPLG	92 236	-	-	-	-	-	92 236	-	-	-	92 236	-	NO	N/A	YES	N/A
New Library	Department of Arts & Culture	336 761	-	-	-	-	633 000	168 777	166 255	152 381	297 954	785 367	184 394	NO	N/A	YES	N/A
Small Town Rehabilitation Grant	COGTA	4 010 338	-	-	-	-	5 000 000	112 202	3 496 765	2 283 650	735 571	6 628 188	2 382 150	NO	N/A	YES	N/A
EPWP	National Treasury	-	-	433 000	517 000	-	1 729 000	372 325	489 648	739 306	127 721	1 729 000	-	NO	N/A	YES	N/A
Housing Accreditation	Department Of Human Settlements	17 118 538	-	-	-	-	-	800 539.54	867 789	1 706 202	1 994 117	5 368 647	11 749 890	NO	N/A	YES	N/A
Library Subsidy	Department of Arts & Culture	-	-	-	-	-	5 279 000	-	5 279 000	-	-	5 279 000	-	NO	N/A	YES	N/A
Energy Efficiency Demand Side Management EEDM)	National Treasury	358 995	(358 995)	-	-	-	-	-	-	-	-	-	0	YES	2019/2020 Business Plan was not submitted to DOE	YES	N/A
Disaster Relief Grant	National Treasury	-	-	-	-	894 000	894 000	-	-	-	-	-	894 000	No	N/A	YES	N/A
		23 945 455	(971 993)	81 986 000	61 053 000	894 000	247 629 000	79 862 574	81 406 345	60 424 647	31 596 746	253 290 311	17 312 151				